REGISTRATION DOCUMENT 2017

Annual Financial Report

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VEOLIA ENVIRONNEMENT

REGISTRATION DOCUMENT

Annual financial report

2017

Pursuant to Article 28 of Commission Regulation (EC) no. 809/2004, the following information is incorporated by reference in the Registration Document: (i) the operating and financial review, the consolidated financial statements and the parent company financial statements for fiscal year 2016 and the corresponding Statutory Auditors' reports, included in Chapter 3 and Chapter 4, Sections 4.1 and 4.2, respectively, of the Veolia Environnement Registration Document for fiscal year 2016, filed with the AMF on March 15, 2017 under the number D. 17-0172; (ii) the operating and financial review, the consolidated financial statements and the parent company financial statements for fiscal year 2015 and the corresponding Statutory Auditors' reports, included in Chapter 3 and Chapter 4, Sections 4.1 and 4.2, respectively, of the Veolia Environnement Registration Document for fiscal year 2015, filed with the AMF on March 16, 2016 under the number D. 16-0146.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The Registration Document (*Document de référence*) was filed with the Autorité des Marchés Financiers (AMF, the French Financial Markets Authority) on March 13, 2018, in accordance with Article L. 212-13 of the AMF's general regulations. This Registration Document may be used in connection with a financial transaction if it is supplemented by a prospectus (*note d'opération*) officially approved by the AMF. The Registration Document has been prepared by the issuer and its signatories are responsible for its content.

Message from **Antoine Frérot**

Chairman and Chief Executive Officer

Year after year, Veolia accompanies the world in its journey towards a cleaner, more frugal and low-carbon economy. In practice, our Group has methodically taken positions in the major fields underlying the development of cities and industries, to ensure this development is compatible with preserving the environment. Certain of these trends stand out: urbanization is continuing at an unprecedented pace in the history of mankind and requires the regular modernization of local public services; domestic and industrial pollution can have devastating effects on nature and public health; and raw materials, water and energy are increasingly scarce, while the needs of mankind increase and with it the demand for natural resources.

For each of these challenges, Veolia provides clients with efficient, sustainable and financially viable solutions. These include the circular economy – which transforms waste into resources, reconnecting broken links in the ecological chain –, energy efficiency, water savings and hypervision centers for the smart management of urban infrastructures… As human density increases, so do environmental constraints, and the value of our expertise! This explains 2017's considerable success on the commercial front, both with public authorities and industrial clients, in mature and emerging countries, in our traditional markets as well as in markets that are at the crossroads of the environmental business and represent tomorrow's growth drivers. These wins are a threefold demonstration of our commercial vitality, the competitiveness of our service offerings and the attractiveness of our expertise.

One does not become the leader in environmental businesses overnight. It requires patience, determination, expertise and innovation. Each of our contracts is specific. However, over the years, expertise accumulates, generating new service offerings. This can be seen in plastics recycling, treating complex pollution, low-carbon solutions, developing alternative resources that are more numerous than we generally think, the Internet of Things, where Veolia is one of the largest operators, the quality of indoor air, a crucial and little-known challenge and much more. All of our successes, both in 2017 and earlier, are the fruits of a long-term investment.

ITS AIM IS TO BECOME THE BENCHMARK IN ENVIRONMENTAL SERVICES, AGAINST WHICH OTHERS COMPARE AND ASSESS THEMSELVES.

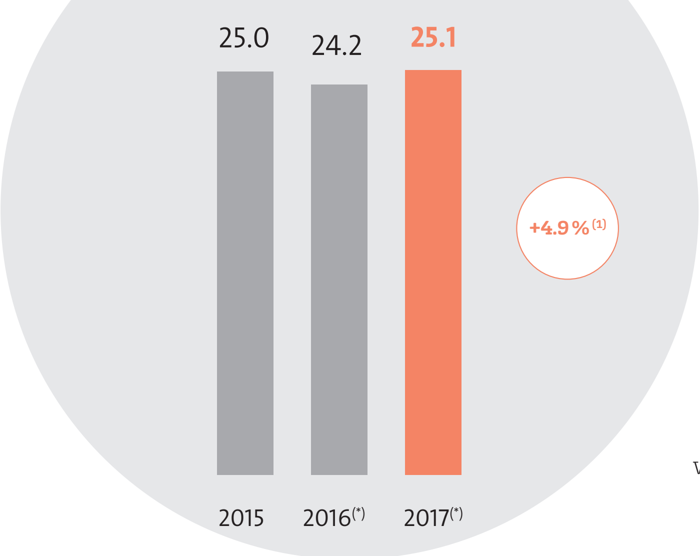
Our strategy is similarly long-term. In the coming years, it will focus on a dual momentum of growth and efficiency: the growth momentum will seek to amplify our organic development, as in 2017, with small and medium-sized acquisitions; our efficiency momentum is founded on our operating performance improvement and cost saving programs, to fund our expansion and maintain profit levels. Creative growth initiatives, operating excellence and spending discipline! That is how we will strengthen our leadership in environmental businesses, which are growth businesses at the very heart of this century's great transformations.

For in the longer term, Veolia is looking to do much more than merely strengthen its leadership; its aim is to become the benchmark in environmental services, against which others compare and assess themselves. Being the benchmark obviously means that we must remain number one. But we must also open up new avenues, to meet current needs and anticipate tomorrow's. Being the benchmark also means that whenever there is an environmental issue anywhere in the world, people will spontaneously ask: *"What can Veolia propose to resolve our problem?"*

Together, with our shareholders, our employees and our many partners, we have transformed Veolia. Together, we have thrust it into the markets of tomorrow. Together, we have consolidated its position as leader. And together, we will make it the benchmark for environmental services!

KEY FIGURES

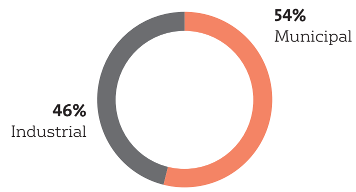
Revenue trends *(in € billion)*



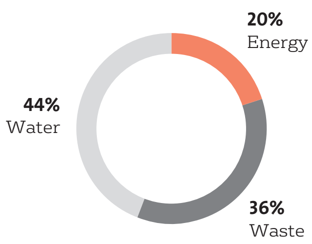
25,125

Revenue in € million

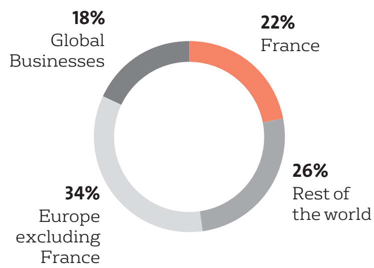
Breakdown of the Group's customer base *(in %)*



Revenue by business *(in %)*



Revenue by segment *(in %)*



(1) At constant exchange rates.

(*) Reclassification of Lithuania in discontinued operations from 2016 (IFRS 5).

WATER

4,117
water production plants managed

2,878
wastewater treatment plants managed

96 million
people supplied with water

62 million
people connected to wastewater systems

WASTE

40 million
people provided with collection services on behalf of municipalities

737,977
business customers

47 million
metric tons of treated waste

579
waste-processing facilities operated

ENERGY

45 million
MWh produced

595
heating and cooling networks managed

40,210
thermal installations managed

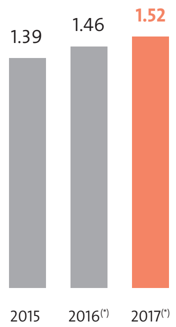
2,291
industrial sites managed

EBITDA (2)(3)
(in € billion)

+2.7 % (1)

3,284
EBITDA (2)(3)
in € million

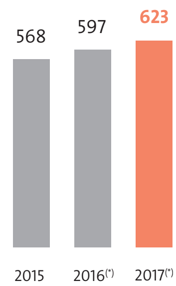
Current EBIT (2)(3)
(in € billion)



+5.3 % (1)

1,519
Current EBIT (2) (3)
in € million

Current net income (2)
(in € million)



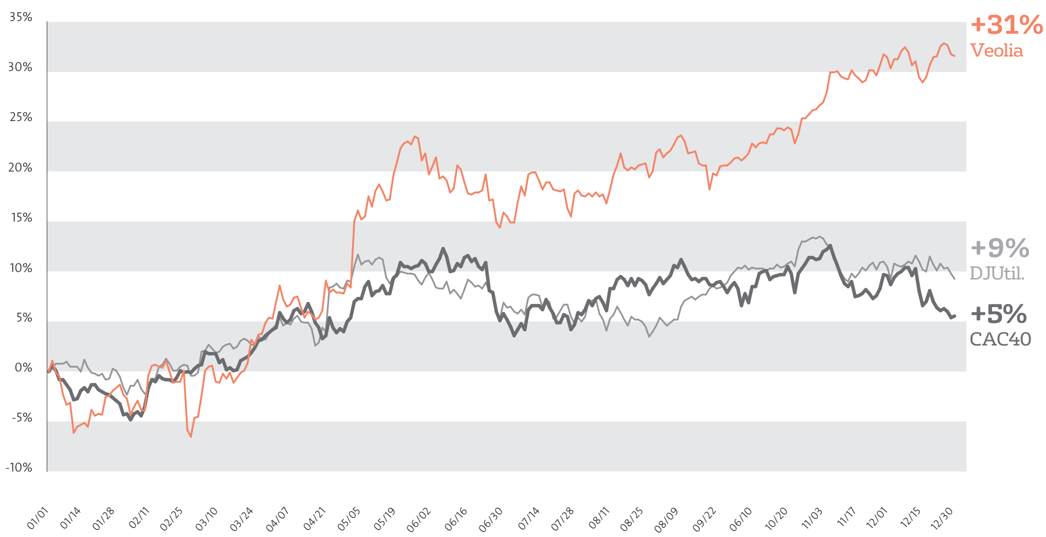
+6.1 % (1)

623
Current net
income (2) in € million

Post-tax ROCE (in %) (2)(3)

Dividend
per share *(in €)*

2017 Stock market performance



(1) At constant exchange rates.

(2) See Chapter 3, Section 3.10.3 Definitions.

(3) Including impacts related to IFRIC 12 interpretation.

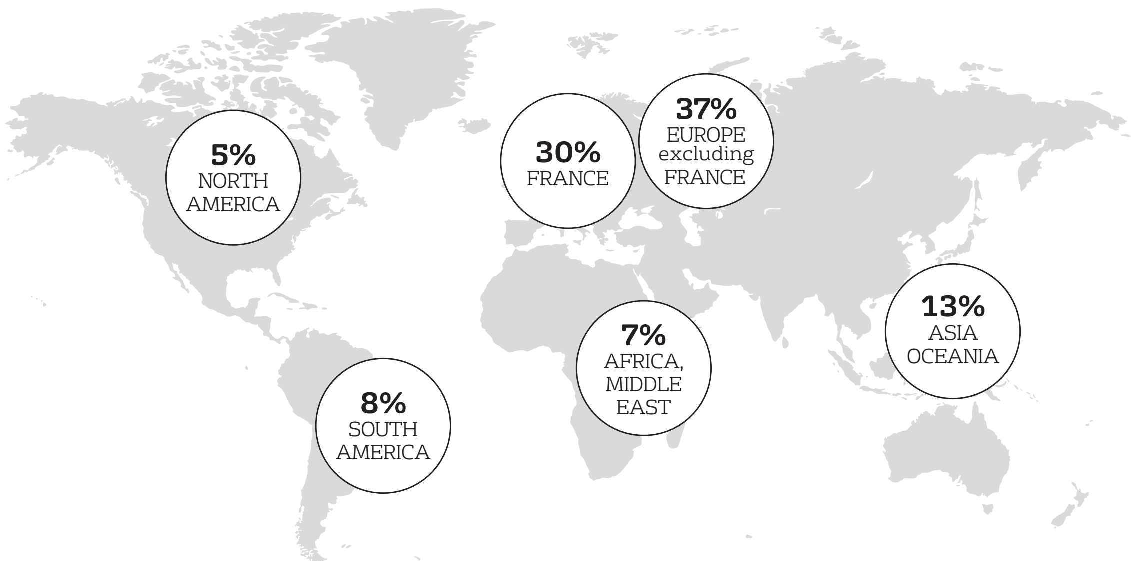
(4) Will be presented for approval at the General Shareholders' Meeting on April 19, 2018.

(*) Reclassification of Lithuania in discontinued operations from 2016 (IFRS 5).

168,800

employees

Worldwide employee breakdown



15

million metric tons of CO_2 equivalent of reduced emissions

6

million metric tons of CO_2 equivalent of avoided emissions

72

% of employees who received training

85.4

% of the spending reinvested locally

Selected financial information AFR

Figures presented in accordance with IFRS

(in € million)	12/31/2016[1]	12/31/2017
Revenue	24,187.0	25,124.6
EBITDA	3,219.4	3,284.1
Current EBIT	1,460.2	1,519.4
Current net income – Group share	383.1	401.6
Operating cash flow before changes in working capital	2,610.2	2,671.5
Operating income after share of net income (loss) of equity-accounted entities[2]	1,193.3	1,284.8
Net income – Group share	383.1	401.6
Dividends paid[3]	(401.2)	(439.7)
Dividend per share paid during the fiscal year (in euros)	0.80	0.84[4]
Total assets	37,949.2	38,309.1
Net financial debt[5]	7,812	7,841
Industrial investments (including new operating financial assets)[6]	(1,597)	(1,738)
Net free cash flow[7]	940	655

(1) 2016 adjustments concern the reclassification of Lithuania in discontinued operations in accordance with IFRS 5.
(2) Operating income after share of net income of equity-accounted entities does not include capital gains or losses on financial divestitures, booked in other financial income and expenses.
(3) Dividends paid by the parent company.
(4) Subject to the approval at the General Shareholders' Meeting of April 19, 2018.
(5) Net financial debt represents gross financial debt (non-current borrowings, current borrowings, bank overdrafts and other cash position items), net of cash and cash equivalents, liquid assets and financing-related assets, including fair value adjustments to derivatives hedging debt. Liquid assets are financial assets comprised of funds or securities with an initial maturity of more than three months, easily convertible into cash, and managed with respect to a liquidity objective while maintaining a low capital risk.
(6) Gross industrial investments (excluding discontinued operations).
(7) Net free cash flow corresponds to free cash flow from continuing operations, and is equal to the sum of EBITDA, dividends received, changes in operating working capital and operating cash flow from financing activities, less the net interest expense, net industrial investments, taxes paid, renewal expenses, restructuring costs and other non-current expenses.

1

ABOUT THE GROUP

Information from the Annual Financial Report is clearly identified in the table of contents by the pictogram AFR

1.1 History and general introduction

1.1.1 HISTORY AND DEVELOPMENT

1853 Compagnie Générale des Eaux was created by Imperial Decree and won its first public service concession for the distribution of water in the city of Lyon, France. It went on to expand its activities in France in the cities of Nantes (1854), Nice (1864), Paris (1860) and later in the Greater Paris region (1869).

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

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

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

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

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

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

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

2003 Vivendi Environnement became Veolia Environnement[(1)].

2005 Veolia Environnement rolled out its new "Veolia" brand.

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

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

2013 The Group embarked upon a significant organizational change, which was implemented and fully rolled out in early 2014. Since then, the Group's activities have been organized by geographic zone rather than by business line and division.

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

Veolia Environnement American Depositary Receipts (ADRs) have not been listed on the New York Stock Exchange (NYSE) since December 23, 2014. The ADR securities are now traded on the US over-the-counter market. Veolia Environnement's obligations to report to the US Securities and Exchange Commission (SEC) ended at the same time.

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

2016 Veolia Environnement signed an agreement with Caisse des dépôts et consignations covering its withdrawal from Transdev Group. Caisse des dépôts et consignations acquired 20% of the share capital of Transdev Group. At the end of this first stage of the agreement, Veolia Environnement retains a transitional stake of 30% of the share capital of Transdev Group and Caisse des dépôts et consignations holds 70% and has exclusive control.

(1) *In this Registration Document, unless otherwise indicated, the term Company refers to the public limited company Veolia Environnement, and the terms Group and Veolia refer to Veolia Environnement and its direct and indirect consolidated subsidiaries.*

1.1.2 GENERAL INTRODUCTION

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

In 2017, the Group operated in 48 [(1)] countries, generated revenue of €25,125 million and employed 168,800 people.

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

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

1.2 Strategy AFR

Pressure on natural resources is increasing as demand rises in a world that has a growing population, is becoming more urbanized and is facing pollution and climate change. Humankind must completely rethink its relationship with resources and come up with a new model of economic and social development that is more efficient, balanced and sustainable.

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

Against this backdrop, demand for environmental services that provide significant added value is increasing and can be seen in the many growth opportunities opening up around the world. Veolia offers expert, innovative solutions that enable it to position itself as a "value creator". The Group's growth is founded on a sustainable value creation momentum, with offerings that help clients reduce their environmental footprint and integrate climate change challenges.

After a period of transformation, Veolia has been implementing a development plan since 2016, aimed at achieving profitable, targeted and consistent growth by capitalizing and focusing on two key areas:

- **a targeted revenue growth in identified priority markets;**
- **a reinforcement of cost reductions, from €600 million to €800 million for the period 2016-2018.**

The Group's mid-term outlook is therefore as follows:

- 2018 objective[(2)]: continuation of sustained revenue growth and EBITDA growth greater than that of 2017 and more than €300 million in cost savings;
- 2019 objective[(3)]: continuation of revenue growth and full impact of cost savings. EBITDA between €3.3 billion and €3.5 billion (excluding IFRIC 12) *i.e.* between €3.5 billion and €3.7 billion including IFRIC 12;
- dividend growth in line with that of current net income.

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

(2) At constant exchange rates.

(3) At constant exchange rates (based on rates at the end-2016).

1.2.1 TARGETED GROWTH IN PRIORITY MARKETS AFR

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

These services are intended for:

- local authorities and individuals (municipal market);
- industrial or commercial service companies (industrial market).

Environmental services is a growing market, driven by:

- population growth and increasing urbanization (70% of the world population will live in cities by 2050)[(1)];
- still-significant requirements worldwide for access to drinking water and wastewater treatment systems (some 700 million people still do not have access to drinking water and over 2 billion have no access to wastewater treatment systems)[(1)];
- increased awareness of the need to take steps to protect the environment, with a regulatory framework that is becoming more stringent;
- cost constraint for services coupled with performance requirements, which encourage the outsourcing of services to specialists;
- a change in consumer behavior: increasingly knowledgeable about health, environmental protection and lifestyle changes aimed at a higher standard of living; increasingly sensitive to the functions of recycling and the collaborative economy; and wanting greater transparency in service governance.

The Group is concentrating its development efforts on markets offering the greatest scope for growth and profitability (described in Sections 1.2.1.1 and 1.2.1.2), primarily through organic growth projects. It therefore strengthened its commercial organization at the end of 2016, implementing a structured approach for the replication of the Group's best offerings across targeted geographies, the consolidation of its key industrial account program launched in 2014, the sharing of know-how and the transfer of skills through internal communities (markets, offerings, key industrial accounts, development, technical excellence). Small and medium-sized acquisitions extend the coverage of the business portfolio in target regions.

1.2.1.1 Municipal market

For Veolia, the municipal market encompasses services aimed at users, performed under contracts with local public authorities and groups of local public authorities, or regional or national governments: distribution of drinking water, collection and treatment of wastewater, waste management, management of energy networks (electricity, heating, cooling).

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

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

The cities are required to manage – as cheaply as possible, yet in a smart and innovative way – water, energy and waste management services, with suitable solutions whether they are located in a developed or emerging country.

Veolia deploys solutions meeting the various needs of cities:

- **resilient cities:** cities more resistant to shocks and risks.

  In every city in the world, resilience is a key concern and is becoming a major concern for a large number of stakeholders (institutions, public authorities, non-profits, etc.). Hurricanes Harvey and Irma that hit the United States and the West Indies in 2017, further strengthened the collective awareness of the need for regional resilience. Veolia assists regional public authorities with decision-making, adopting a long-term vision to anticipate crisis situations, guarantee the performance of critical equipment and accelerate the return to normal after a crisis. Together with Swiss Re, the Group has implemented a unique risk assessment system with preventive and strengthening measures to guarantee the resilience of cities. New Orleans in the United States, is the first city in the world to benefit from this system;
- **attractive cities to live:** improving quality of life to attract people and companies.

  Veolia provides attractive cities to live with innovative solutions to preserve the quality of life of their citizens, the environment and urban infrastructures. To this end, the Group mobilizes its expertise in waste collection and management, drinking water management, wastewater treatment and the production and distribution of renewal energies. Attractive cities to live are also particularly attentive to biodiversity and reduce their environmental footprint by using renewable energies (biomass, biogas, etc.). They are vigilant about the cleanliness of areas, air and water quality and reducing noise pollution;
- **smart cities:** digital solutions are revolutionizing cities.

  More connected and better managed, smart cities optimize the operation of their infrastructures, increasing their competitiveness, attractiveness and sustainability. More efficient and transparent, they meet the new expectations of citizens wishing to participate more in the management of

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

their cities. By combining new technology, its business expertise and its relationship with innovative regional companies, Veolia contributes to improving the level of service offered by cities to their citizens with four maxims: speed of deployment, cost control, cybersecurity and reliability. Examples include Veolia's Hubgrade hypervision centers that enable public authorities to optimize the management of their water and energy networks, aim for better environmental performance and improve the quality of life of citizens. Nova Veolia's subsidiary, Birdz (created by the merger of Homerider and m2ocity, remote meter reading pioneers) is yet another example. This specialist in the design of connected things and the transmission, analysis and enhancement of data (water, energy, waste, temperature, pollution, noise, public lighting) serves smart cities and the urban environment;

- **inclusive cities:** creating economic, social and regional cohesion.

  Inclusive cities are cities where no population category is excluded from urban development. They promote access to essential services for the greatest number and, in particular, the most vulnerable populations. They also encourage the involvement of citizens and all stakeholders in their operation. Through its presence and knowledge of local players, Veolia accompanies economic and social initiatives promoting access to essential services for the greatest number. In Bangladesh, Veolia and Grameen Bank managed by Muhammad Yunus, set-up a social business project in conjunction with the local population and authorities, providing 6,000 inhabitants of the Goalmari and Padua districts with access to drinking water. Veolia deployed unprecedented social and financial engineering resources to implement this initiative. In Nice, by installing sensors that monitor consumption, Veolia helped numerous families reduce their bills by 10% to 15%. Globally, 59% of consumers served by Veolia have a banded water pricing system;

- **circular cities:** creating local loops to generate regional value.

  Veolia implements operating solutions and new business models to promote the development of the circular economy at a regional level. This approach is at the heart of its strategic ambition and vision “Resourcing the world”. Renewing resources is, for example, recycling materials (plastic, paper, glass, precious metals), developing renewable energies and recovering (biomass, biogas, unavoidable energy) and transforming waste into compost and energy. Preserving resources is, for example, reducing consumption and developing energy efficiency and holistic approaches (product-service system, industrial ecology, ecodesign). As a development model and growth driver, the circular economy is a source of regional job creation.

The deployment strategy for these solutions differs between developed and emerging countries.

Cities in developed countries

Cities in developed countries are a mature market where client needs are now turning towards:

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

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

Veolia's strategy is to establish its role as a catalyst for the attractiveness of cities, their economic and social development, in particular by reenforcing its differenciating factors and changing its contractual models. Therefore, in addition to its traditional contractual models (concessions, leases, etc.) Veolia proposes:

- **contracts that include the sharing of the value created with the client**, whether that is based on financial or environmental performance (resource or energy savings, improved performance of facilities, etc.), on the creation of new revenues (mutualization of facilities, resale of electricity to the grid for cogeneration, recovery of byproducts, etc.) or on risk reduction (partnerships with insurers). A percentage of Veolia's remuneration is linked to achieving the expected results. The contract can include operating utilities (*e.g.* energy performance or resources contracts) or simply consultancy and management services;
- **financial partnerships** (AssetCo/OpCo models): contracts that include a third-party investor financing the investments necessary for optimizing the public authority's utilities, with Veolia guaranteeing the performance of the facilities over the amortization period;
- **provision of specialist services:** clients are offered the benefit of Veolia's expertise in targeted services (automatic meter reading, organization of service calls, help with billing recovery, operating data analysis and consultancy, etc.) traditionally incorporated into comprehensive contracts.

Cities in emerging countries

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

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

- **selecting target cities on the basis of their potential and the level of risk they present;**

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

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

1.2.1.2 Industrial market

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

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

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

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

- **providing** industrial companies with a more comprehensive, expert and global approach;
- **offering services that help industrial companies improve their efficiency and get more out of their assets:** the circular economy, local environmental considerations, performance and value-sharing models;
- **reinforcing Veolia's positioning in relation to pollution that is difficult to treat,** notably hazardous waste, requiring significant technical added value;
- **sharing Veolia's expertise** on all environmental issues.

Veolia therefore offers industrial and service clients a full range of work and/or services to improve their competitiveness, and their environmental and social impact, organized around 5 value creation drivers:

- **the right to operate** (*e.g.* reusing process water, zero liquid discharge plants);
- **operating efficiency and cost reduction** (*e.g.* optimizing water and energy consumption, robotic tank cleaning, competitive waste disposal networks);
- **maximizing yield** (*e.g.* increasing equipment availability, maximizing the productivity of client assets);
- **financial engineering** (*e.g.* investment planning and joint financing, financial arrangements, search for external financing);
- **brand image and social and environmental responsibility** (*e.g.* optimized management of water, energy and waste resources, design, build and operation of carbon neutral plants, joint development of projects with the different stakeholders).

The Group has considerable strengths that enable it to provide unique solutions to industrial clients:

- a combination of technical expertise and operating skills, supported by an extensive technology portfolio and contractor know-how;
- the ability to guarantee long-term results;
- a global network serving global clients with strong local roots, primarily through municipal activities, offering industrial companies integrated solutions in the regions;
- the ability to consider water, waste and energy cycles simultaneously, enabling an integrated approach to industrial processes and a circular economy strategy.

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

- **the chemicals, oil and gas industries**

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

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

The downstream refining and petrochemicals market is driven by the development of refining capabilities, particularly in Africa, the Middle East, Asia and Latin America, and by the dynamism of petrochemicals businesses in the United States, the Middle East and Asia. These industries have growing needs for operational excellence and compliance with increasingly tough regulation of pollutant discharges.

Thus, the needs of clients in these industries are focused on licence to operate, on maximizing client asset availability and output, on reducing costs and risk, on resource and water efficiency, and on regulatory compliance. Veolia offers solutions that respond to this industry's water, waste processing and performance needs by positioning itself as a long-term partner able to address all environmental and efficiency issues and proposing a range of offerings adapted to the needs of both market segments:

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

The acquisition of Chemours' Sulfur Products Division in 2016 supplements the Group's offering for oil and gas companies in the United States, adding the treatment and recovery of sulfuric acid and gases produced during the refining process, which are regenerated into clean acid and steam used in a wide range of industrial activities;

- **the mining, metal and energy industries**

Mining is the sector with the second-highest water consumption (equivalent each year to the domestic consumption of the United States), and it needs to expand its fields of exploration in zones of water stress (70% of the projects of the six largest mining companies) to compensate for the depletion of the most easily accessible ores. Investment remains prudent in this sector and the metals sector, weakened in 2015 and 2016 by the fall in raw material prices, despite a recovery in prices in 2017. Nonetheless, the tightening of environmental regulations and the desire to improve efficiency generates development opportunities for Veolia, with these industries now required to limit their environmental footprint and costs to guarantee the sustainability of their production.

In the power generation sector, investment criteria are dominated by the "3Ds": Decentralized production, Digitalization to optimize production and costs, Decarbonization for energy transition towards renewable energies.

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

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

- **design, build and operation** of water production plants (*e.g.* desalination) and wastewater and cooling water treatment and reclamation plants (zero liquid discharge plants), acid mine drainage treatment, waste management, etc.,
- **optimization of operational performance** thanks to a range of services for utility efficiency and waste recovery,
- soil **remediation**, site recovery,
- **financial engineering.**

Veolia offers clients its portfolio of technologies, operational experience and global network thanks to which it can offer its best services around the world, coupled with its ability to operate at remote sites and to provide or propose funding;

- **the food and beverage and pharmaceutical/cosmetics industries**

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

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

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

Veolia enables industrial food and beverage, and pharmaceutical and cosmetics firms to reduce their environmental impact by **improving their operational performance** for water and energy cycle management, and by recovering the byproducts of their operations. Veolia has a real competitive advantage in this market, thanks to its comprehensive, integrated offerings (combining water, waste and energy management and treatment solutions), and its proprietary technologies (such as organic waste anaerobic digestion enabling energy recovery). Veolia therefore supports the growth of companies in these sectors by offering solutions that enable them to use water, materials and energy more efficiently. It brings together cross-functional solutions that safeguard these companies' right to operate, performance and brand image. As with the other industries, Veolia's strategy is to work with its clients to co-develop innovative solutions that help create economic, social and environmental value;

- **the circular economy**

  The circular economy aims primarily to implement solutions to extend the life of resources (materials, water and energy). This is a key issue for clients and a source of high expectations due to the pressure on resources, increasingly favorable regulation (in Europe, with the end of landfill and the enforcement of extended producer responsibility; in the United States, where there is a noticeable increase in uptake of new value creation models; and in China, a country that is moving its regulation towards fostering a sustainable economy), and the movement of society towards a circular, sharing and functional economy. Veolia has set itself the aim of strengthening its leadership in this area by deploying existing technologies, innovating and positioning itself as a stakeholder that creates shared value.

  Cities and industrial firms are thus becoming producers of alternative resources and local supply loops are emerging.

  Veolia helps its clients to create value by:

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

  In the plastics sector, where production and consumption are increasing steadily, regulation is progressively moving towards recycling and a ban on putting plastic in landfills. In Europe and Asia, in particular, the recycled plastics market is expected to increase around 6% annually to 2025. The Group aims to develop an industrial plastic recycling and recovery activity to offer an alternative to virgin materials. Veolia has therefore set-up a **plastic recycling** industrial platform with European locations in France, the United Kingdom, Germany, Benelux and Scandinavia and Asian locations in Korea and Japan. Veolia is also working in partnership with industrial companies on the implementation of solutions to develop plastic recycling loops;

- **difficult pollution**

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

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

  The tightening of local regulations and the increase in the volumes of waste being produced (particularly that from the chemical, oil, metallurgy and nuclear industries and electrical and electronic equipment waste) both support Veolia's decision to further develop its positioning in the processing of difficult types of pollution, particularly hazardous waste – a market with high growth potential. Veolia has a worldwide network of experts and resources that have been developed gradually over the years and are easily mobilized, a full range of technologies and services for processing difficult-to-treat effluents (Veolia Water Technologies) and hazardous waste, and for soil remediation (GRS-Valtech). They meet the highest standards and are supported by cutting-edge research.

  The Group's strategy consists of developing new facilities in developing countries (in Africa, the Middle East, Latin America and Asia) and consolidating its existing facilities (in Europe, the United States and China) by adding density to its network of treatment plants and saturating its assets;

- **the management of end-of-life industrial facilities and equipment**

  The increase in the number of industrial facilities and obsolete equipment that have either reached the end of their service life, sustained damage as a result of natural disasters or industrial accidents or pose a risk of contamination offers significant opportunities for growth for Veolia. Management of the end-of-life of these industrial assets (oil rigs, ships, trains, aircraft, power stations and brownfield sites) must comply with various restrictions or goals: preventing contamination risk (presence of asbestos, oil, chemicals, etc.), optimizing materials recycling and equipment reuse, and remediating polluted soil so the land can be put to new use.

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

Industrial clients must prevent the risk of contamination, recycle materials and reuse equipment as much as possible, locally and at low cost and may even be required to decontaminate sites before starting new business activities there. Veolia is expanding its operations in this new area by focusing on key accounts and positioning itself throughout the entire value chain, from dismantling services to upgrading equipment to ensure that it complies with current regulations and materials recovery. The Group is renowned for its skills and cutting-edge technologies for decontaminating land, recycling waste and treating hazardous pollution (such as nuclear waste and asbestos), as well as for its ability to offer high-quality project management throughout the entire value chain, thereby guaranteeing, among other things, traceability and responsible waste management. In this area, Veolia is active in the dismantling of offshore oil rigs, trains and ships, as well as in the characterization of nuclear waste.

1.2.2 EFFICIENCY PROGRAM

Veolia launched a new efficiency plan for the 2016-2018 period, which uses a similar method to the previous one, namely, developing improvement plans for each country and monitoring these centrally. The initial objective was increased from €600 million to €800 million gross additional savings[1] by 2018. Savings of €245 million and €255 million were realized in 2016 and 2017, respectively and savings in 2018 are expected to exceed €300 million.

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

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

The "operations" and "purchasing" components will account for a higher proportion of total savings realized by the end of the 2016-2018 plan compared to the previous plan.

The plan for improving the Group's operating efficiency is based on operational benchmark and performance standards developed by Veolia's Centers of Excellence (which bring together experts from all the different regions where the Group operates to define fundamental principles and best practices for key activities), as well as on an internal platform that allows information to be shared across different departments and entities. As part of the Operators Priorities project, each operating entity (Veolia site or contract) drafts and implements an optimization plan which it shares with its peers.

1.2.3 CLIMATE COMMITMENTS

Cities account for 70% of global CO_2 emissions[2]. It is therefore in the cities and their industrial infrastructure that the fight to reduce greenhouse gas (GHG) emissions and to adapt to climate change will be won.

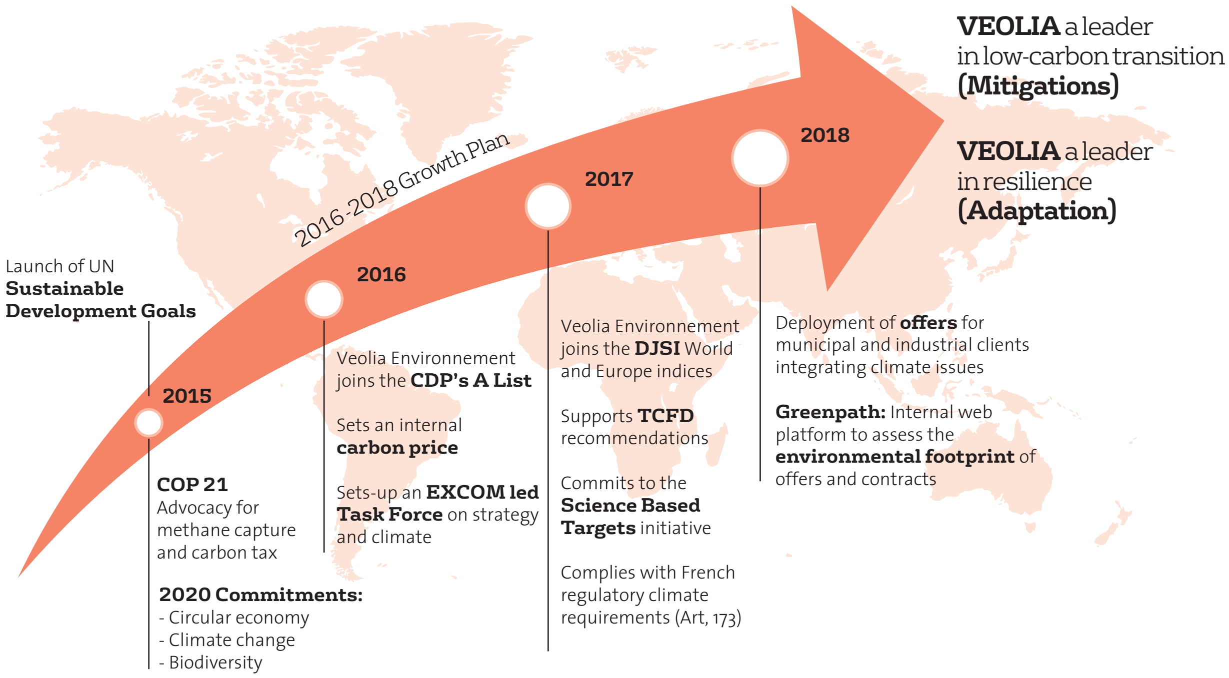
As an operator of GHG emitting activities (production of heat for municipal heating networks and industrial companies, waste management, etc.), Veolia offers mitigation and adaptation solutions. In fact, Veolia implements specific diagnostic tools for each business to support its clients' strategy: improving the energy efficiency of installations and services, using renewable and alternative energies, recovering materials (*e.g.* plastic recycling) and energy (*e.g.* reuse of the fatal heat) and optimizing resource productivity.

In regions where climate change has already had a significant impact, Veolia's water management and natural disaster resilience solutions contribute to adaptation measures. In countries where water resources are increasingly scarce, Veolia develops alternative solutions including the reuse of waste water and sea water desalination. The Group mobilizes its Research & Innovation Department to identify long-term solutions and develop new innovative offerings and contractual models to accompany its partners (see Section 1.2.1 Targeted growth in priority markets, above).

The Group is therefore committed to reducing its greenhouse emissions across its entire business chain and those of its clients to limit global warming to 2°C by the end of the century compared with the pre-industrial era. In 2015, Veolia introduced a climate roadmap, comprising quantified commitments monitored by the Board of Directors' Research, Innovation and Sustainable Development Committee (see Chapter 6, Section 6.2.3 below).

(1) Before implementation costs.

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



Veolia supports the conclusions of the Task Force on Climate-related Financial Disclosures (TCFD)[1]. This working group, set up by the G20's Financial Stability Board (FSB), issued recommendations in 2017 on company transparency on climate-related issues to enable investment stakeholders to promote reductions in GHG emissions and adaptation measures.

The information required by Articles L. 225.-100.1, L. 225-102-1 and R. 225-105 *et seq.* of the French Commercial Code, including the obligations set out in Article 173-IV of law no. 2015-992 of August 17, 2015 on energy transition for green growth is published in Chapter 6 (see the Cross-reference tables in Chapter 8, Sections 8.8.3 and 8.8.4 below).

TCFD recommendation	Section of the Registration Document where this information is available	
Governance: role of the Board of Directors and Management	6.1 6.2.1 7.2.2.4 7.4.1.1 7.4.1.3	Sustainable development commitments Environmental management system Research, Innovation and Sustainable Development Committee Compensation of the Chairman and Chief Executive Officer Compensation of executives excluding the Chairman and Chief Executive Officer (Executive Committee members)
Strategy: Risks and opportunities	1.2 1.3 5.2.1.5	Strategy Business lines Risks relating to natural disasters, climate change and seasonal factors
Strategy: Scenario analysis	6.2.3.2	Emissions linked to Group activities
Risk management	5.1 5.2.1.5	Risk management and internal control Management of risks relating to natural disasters, climate change and seasonal factors
Indicators and targets	6.1 6.2.2 6.2.3 6.2.4	Sustainable development commitments Sustainably manage natural resources by encouraging the circular economy Contribute to combating climate change Conserve and restore biodiversity

(1) *www.fsb-tcfd.org*

1.3 Business lines AFR

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

1.3.1 DESCRIPTION

The business lines in figures:

Business line	In 2017	Group revenue
WATER	96 million people supplied with drinking water 62 million people connected to wastewater systems 4,117 water production plants managed 2,878 wastewater treatment plants managed	€11,113.8 million 44%
WASTE	40 million people provided with collection services on behalf of public authorities 47 million metric tons of treated waste 579 waste processing facilities operated 737,977 business clients	€9,039.9 million 36%
ENERGY	45 million MWh produced 40,210 thermal installations managed 595 heating and cooling networks managed 2,291 industrial sites managed	€4,970.9 million 20%

1.3.1.1 Water

Thanks to its entities and subsidiaries located around the world, Veolia is a leading expert in water cycle management, enabling it to respond to the numerous demands of municipalities and industrial companies: **resource management, production and transport of drinking water and industrial process water, collection, treatment and recovery of wastewater from all sources and treatment byproducts (organic materials, salts, metals, complex molecules and energy), customer relationship management, design and construction of treatment infrastructure and networks.** This expertise enables Veolia to assist its clients implement integrated and sustained water resource management systems.

Sustainable management of water resources

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

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

Collection and transport of water

Veolia offers a range of solutions for the collection and transport of drinking water and wastewater, including:

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

At each stage of the water cycle, Veolia:

- ensures **water traceability** to guarantee that the quality of drinking water is preserved from the moment it leaves the plant to the point at which it reaches the consumer;
- **monitors and measures the quality of effluents collected** to ensure that the treatments carried out at the wastewater treatment plants operated by the Group are as effective as possible;
- **provides asset management services for networks** to ensure that they deliver outstanding performance and that money spent on them delivers optimal value (replacement and operating costs).

Water treatment

As a water treatment expert, Veolia has significant expertise in monitoring water quality at every stage of the process, from collection through to returning it to the natural environment and develops solutions that respond to the needs of public authorities and industrial companies:

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

The Group has a portfolio of more than 350 proprietary technologies (including physiochemical, biological, membrane and bio membrane, membrane desalination, thermal and hybrid treatments) to tackle the challenges of managing water in all its forms (drinking water, industrial process water, ultrapure water, wastewater and seawater).

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

Customer service

Veolia has developed a range of multichannel customer relationship management tools to ensure that it maintains excellent relations with its customers, including:

- customer service centers, where Veolia can respond to a range of consumer inquiries;
- local and mobile branches;
- web portals;
- mobile applications that customers can download onto a smartphone and use to carry out key transactions relating to their water service;
- a range of payment and social support solutions.

Planning and construction work

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

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

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

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

Digitalizing the business

Veolia's so-called "smart" technologies help improve the operating performance of its operations:

- control centers integrated into the operations monitor service levels in real time and communicate any anomalies to the customer service centers to program on-site visits;
- an energy management system closely monitors the consumption of water installations operated by the Group and identifies areas for optimization.

Veolia has also developed an e-monitoring service enabling private individuals, local authorities and industrial companies to better manage their consumption.

1.3.1.2 Waste

Veolia is one of the leading players in the management of liquid, solid, non-hazardous and hazardous waste.

The Group operates across the entire waste life cycle, **from collection to final processing and makes waste recovery a priority. Veolia plays a key role in the circular economy,** developing innovative solutions to increase rates of waste recycled and recovered as materials and energy.

Waste collection

Due to the wide range of waste categories (household waste, non-hazardous commercial and industrial waste, construction waste, green waste, hazardous industrial and service sector waste), waste collection is a major logistics challenge. Veolia provides door-to-door household waste collection, as well as collecting waste from communal disposal points, non-hazardous commercial and industrial waste and green waste (keeping green spaces clean), as well as hazardous waste from industrial and service sector clients, including biomedical waste from hospitals and laboratories and waste oil (*e.g.* from ships and gas stations). It also handles dispersed hazardous waste, which must be separated during collection, either in individual containers or mixed with other recyclable materials.

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

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

Recovering materials from waste

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

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

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

Recovery of organic waste

Wastewater treatment plant sludge and green waste as well as organic waste produced by households, restaurants, the food and beverage sector and agriculture, are recovered at specific biological facilities.

Treatment involves either controlled composting or anaerobic digestion at anaerobic digestion plants. Compost produced is used as fertilizer in agriculture and methane generated by fermentation is recovered using the same process as for biogas at landfill sites.

Waste-to-energy recovery

Non-hazardous waste that cannot be recycled is transported to incineration plants or landfill sites. The incineration process produces energy in the form of steam that can either be used to power urban or industrial heating networks or converted to energy using turbines. The electricity produced is then fed into the national grid.

At landfill sites, Veolia captures biogas produced by the fermentation of organic waste. This biogas may then be fed directly into a distribution network, used to produce electricity with turbines or engines, or used as fuel for vehicles.

Decommissioning and decontamination

Veolia manages decommissioning projects for industrial facilities and end-of-life equipment, such as aircraft, ships, trains and oil platforms. The Group provides dismantling, asbestos removal, material recovery, final waste treatment and site remediation services.

Veolia also participates in the rehabilitation of areas where the soil was previously contaminated. Its subsidiary, SARP Industries, rehabilitates brownfield sites, cleans-up accidental spills and brings active industrial sites into line with applicable environmental regulation.

Processing of hazardous waste

Through its specialist subsidiaries, Veolia is a world leader in processing, recycling and recovering hazardous waste and decontaminating land.

Depending on the source and composition of the hazardous waste it may be incinerated or processed using physiochemical techniques at specialized facilities, or stabilized and buried in special landfill sites.

In 2016, following the acquisition of Kurion, the Group brought together the activities of Asteralis, Veolia ES Alaron and Kurion, all of which specialize in nuclear facility clean-up and the processing of low and medium-level radioactive waste, within a single entity, Nuclear Solutions.

Urban and industrial cleaning services and sanitation

The cleanliness of streets and public areas is an important factor in cities' attractiveness and is a major public health and safety issue for citizens.

Veolia provides urban cleaning services 24/7 founded on performance commitments: upkeep and cleaning of public spaces, mechanical street and facade cleaning solutions.

Veolia offers industrial clients production line upkeep and maintenance services and a comprehensive range of specialist services to optimize the performance of the industrial tool and extend its life.

The Group has also developed emergency services to treat accidental pollution on public roads or at industrial sites.

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

1.3.1.3 Energy

In the energy sector, Veolia focuses its activities on the **energy performance of regions and industrial companies: energy services, heating and cooling networks, electricity.** Veolia's value proposition seeks to guarantee the energy performance of the regions and industrial companies (i) by reducing end consumption, (ii) while optimizing local energy production and (iii) improving the energy mix by promoting renewable energies and recovering unavoidable energy.

This positioning allows the Group to respond to the challenges facing all client segments, both municipal (energy optimization, development of renewable energies and network balance in developed countries, development of regional infrastructure and the need for autonomy in emerging countries) and industrial (energy optimization, security of supply, corporate social and environmental responsibility in developed countries, security of supply and need for autonomy in emerging countries).

Heating and cooling networks

Veolia is one of Europe's leading companies for managing district heating and cooling networks, particularly in Central and Eastern Europe, and enjoys a strong position as an operator in the United States. The operation and maintenance of heating and cooling networks enables the supply of heating, hot water and air conditioning to public and private facilities, including schools, health centers, office buildings and apartment blocks.

The Group helps cities and industrial companies define a low-carbon energy strategy, by developing an energy mix favoring the use of renewable and alternative energies: geothermal, biomass, cogeneration or the recovery of heat produced by incineration of household waste, wastewater treatment plants, etc.

Veolia uses its unique expertise to design, build, operate and maintain heating and cooling networks, manage energy supplies (particularly those from renewable sources) and deliver services to end customers.

Local supply loops

Local supply loops respond to an underlying trend tied to the development of local renewable energies and the need for flexibility in the electricity management system.

Veolia's offerings focus on the production (cogeneration, biomass, waste, biogas, hydraulic, etc.) and distribution of electricity (distribution voltage of 50 kV or less) at regional level (city, district, industrial park) and electricity distribution alone when operating together with another Veolia activity (waste or water), as in Morocco.

Energy services for buildings

Veolia develops energy services to reduce the energy consumption and CO_2 emissions of buildings while maintaining occupant comfort levels. Veolia carries out energy audits of buildings, which are then used to draft improvement plans encompassing the installation of more efficient energy equipment, tools for monitoring consumption and managing the building's performance and measures encouraging occupants to save energy.

Veolia has created a hypervision system and management service to control the efficiency of buildings and infrastructures: *Hubgrade*.

Designed as an integrated management platform, Hubgrade collects data real-time which is then analyzed by the Group's experts to optimize on-site visits. In terms of building energy efficiency, this tool generates up to 15% additional energy savings in comparison to existing energy efficiency services available on the market. Veolia currently manages nine Hubgrade centers around the globe.

Industrial utilities

Energy has become a key factor in industrial companies' competitiveness. Veolia's energy solutions meet the reliability, quality, availability, and cost requirements of industrial companies for whom energy is an essential element of their competitiveness. The Group optimizes industrial utilities, whatever their nature (production of steam, cold, electricity, compressed air), as well as the use of process energy and the energy consumption of industrial buildings. Veolia thereby contributes to securing its client's energy supply and reducing their energy and carbon footprint:

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

Veolia offers its clients:

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

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

1.3.1.4 Multi-business contracts with industrial clients

Industrial outsourcing and integrated services

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

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

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

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

Through Veolia Industries Global Solutions (VIGS), the Group can provide industrial sector clients with integrated solutions. This subsidiary enables Veolia to better meet the expectations of clients wishing to outsource a range of services across several industrial sites to a single service provider.

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

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

Multi-business contracts

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

Veolia Industries Global Solutions enjoys a unique position in the industrial outsourcing market as demonstrated by its wide range of references:

- solvent recycling and management of hazardous waste combined with the sale of energy at the multi-client industrial platform in Basel, Switzerland;
- the design, build and operation of the first automobile plant with zero carbon emissions and zero water discharges, for Renault in Tangier, which mobilized the expertise and know-how of the Group's various business lines;
- the ability to assist leading pharmaceutical clients throughout Europe with applying the same standards, as demonstrated by contracts with Bristol Myers Squibb and Novartis.

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

1.3.1.5 Other businesses

Through its engineering consulting division, Seureca, Veolia designs expert management solutions for water, waste and energy for industrial companies, public authorities and the service sector.

Seureca is involved from the draft project phase through to operational implementation and proposes a range of services including development plans and feasibility studies, design studies, work supervision, operational technical assistance, training and skills transfer.

In addition to its consulting activity in the water, waste and energy sectors, Seureca has specialized subsidiaries in the following fields: energy efficiency and recovery, renewable energies (DESL); industrial water and process water treatment (EPAS); environmental and health and safety performance of buildings (OFIS).

Seureca operates in over 60 countries across four continents, supported by a network of permanent offices outside France and an operational talent pool of 200 engineers that can be mobilized to work on short or long-term projects around the world.

1.3.2 FACTORS THAT COULD INFLUENCE THE GROUP'S BUSINESS LINES

The Group's main business lines could be influenced by the key factors set out in Chapter 5, Section 5.2, Risks factors, below.

WATER

- changes to billed volumes (particularly changes in domestic water consumption as a result of weather variations);
- the ability to achieve, within the planned timeframe, rate increases in line with Group targets;
- the ability to implement cost-cutting programs;
- the pace of the projects of municipal clients and some larger industrial clients (for designing and building installations);
- the ability to meet service commitments negotiated with clients or regulators;
- continued technological leadership (for designing and building installations);
- a full grasp of the constraints and technical solutions in relation to contract performance;
- thoroughness in negotiation and performance (particularly as regards the ability to respect deadlines and the costs budgeted for designing and building installations).

WASTE

- a presence at all points of the waste value chain, from pre-collection through all aspects of processing and recovery, in a representative range of geographic zones, in order to identify and manage innovative, tailored solutions that set the Group apart from its competitors in the market;
- the quality of employee management in sectors that are often labor-intensive (limiting absenteeism and strikes, and developing skills and training);
- operating efficiency (procurement, sales, logistics and maintenance management) to optimize unit costs and the utilization rate of equip ment, while ensuring the high level of quality required for the products and services delivered;
- the management of economic and financial risk: in particular, volume fluctuations, reduced exposure to volatility in raw material prices (fuel, and secondary raw materials, such as paper and metals), see below.

ENERGY

- public policies supporting energy transition (energy efficiency, the development of renewable energy sources, etc.) and the reduction of pollutant emissions;
- changes in the energy market, particularly in terms of the selling price of electricity and heating, the accessibility and production cost of fuels, and CO_2 quotas (see below);
- urbanization dynamics and weather variations from year to year, which can affect sales of heating and cooling;
- the economic environment and its influence on the activity levels of industrial sites.

Factors common to the three business lines:

- the ability to renew existing contracts under satisfactory conditions in a very competitive environment;
- the ability to propose innovative models;
- the ability to control costs and impose favorable conditions for sharing risks and profits;
- the management of risks relating to environmental protection, and to the safety of individuals and facilities;
- the ability to innovate using new technologies and innovative processes founded on an effective technology-, regulator- and competition-monitoring system;
- investment management in certain capital-intensive businesses (selectivity, risk analysis and facility size);
- the quality of contractual management for long-term contracts (major clauses, price review formulae, guarantees and sureties, etc.);
- the diversity of regulatory frameworks and changes therein, particularly concerning environmental issues.

In addition, seasonal variations and fluctuating raw material prices can have a specific impact on the Group's businesses.

Water and Energy business lines are subject to seasonal changes and weather uncertainty (see Chapter 5, Section 5.2.1.5, below).

Moreover, price variations in electricity and primary raw materials (particularly fuel, coal and natural gas) on one hand, and of secondary raw materials (paper, cardboard, plastic, ferrous scrap and non-ferrous metals) on the other hand, can have varying effects on Veolia's businesses (see Chapter 5, Section 5.2.1.3.3, below).

Energy and raw material prices fluctuate, often significantly. For example, in 2017, the average price of a barrel of North Sea Brent crude was US$54, *i.e.* above the 2016 average (+24%). Prices fell during the first-half of 2017 before recovering in the second-half to reach US$67 at the end of December 2017, *i.e.* an increase of +21% versus the end of December 2016. The increase in the average price of a barrel of Brent crude, in euro, is roughly the same at +22% for the year.

Major variations in gas prices from one year to the next are due to the weather and the competitiveness of coal. Average gas prices for the main European interconnection points increased by around +23% in 2017 compared with 2016. Prices increased significantly in January and then slumped over the remainder of the first-half of 2017, falling to below their level at the end of December 2016. Gas prices recovered in the second-half of the year, exceeding previous year-end levels at the end of December 2017.

The average fuel price also increased between 2016 and 2017, with a negative impact on the fuel expenses of the Waste business of around -€12 million in 2017.

The general consensus among analysts is that oil prices will keep rising in the long-term, owing to the increasing scarcity of known oil reserves, and the need to adopt new sources of energy in response to growing environmental demands. However, while oil and gas prices have been increasing since mid-2017, a further drop in commodity prices cannot be ruled out. At any rate, as in recent years, energy prices are expected to remain volatile in 2018.

A significant portion of the revenue of the Waste business line is generated by its sorting/recycling and trading businesses, which are particularly sensitive to fluctuations in the price of recycled materials (paper, cardboard, ferrous scrap and non-ferrous metals). In 2017, annual averages for two representative price benchmarks (Copacel 1.05 for recycled paper and E40 for ferrous scrap) reported a 11% increase for recycled paper and a 41% increase for ferrous scrap, compared with the 2016 averages. On that basis, Waste revenue increased by €74 million mainly due to the increase in the price of paper and the strong increase in the price of ferrous scrap.

1.3.3 CONTRACTS TAILORED TO THE MARKETS

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

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

Contractual relationships with public authorities

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

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

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

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

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

Contracts generally fall into one of three categories:

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

Although some established models still dominate, depending on the country and the operations carried out by the Group, contractual models may evolve to address new priorities faced by public authorities, providing them with innovative financing solutions and remuneration mechanisms based on the savings achieved and/or the performance of the service. The term of these contracts varies with the task assigned: they are often medium- or long-term contracts (average of 8 to 20 years, public contracts generally having a shorter term). Long-term contracts may include a periodic review of financial terms and conditions.

Partnerships with industrial and service sector companies

Partnerships with industrial and service sector businesses can also take a variety of contractual forms; including at least a service of limited scope, but up to the design, financing, construction and full operation of a facility. These contracts are customized because they seek to address exactly the specific issues facing each client:

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

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

As with public authorities, the term of contracts with industrial companies varies and is on average 3 to 10 years.

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

1.3.4 COMPETITION

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

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

"Global multi-service companies"

"Global multi-service companies" have both a global geographic footprint and an extensive range of services in the Water, Waste and Energy business lines. Veolia belongs to this category, as do Suez and Remondis, although neither of these has a presence outside Water and Waste. These players share the same springboards for growth: emerging economies, industrial markets, the circular economy, new technologies and high value-added services. New players, primarily Chinese, are developing global activities in Water, Waste and Energy, through strategies founded on sustained external growth (Beijing Enterprise Holdings, China EverBright International, Beijing Capital Co). Suez's strategic focus and range of services in Water and Waste make it Veolia's closest competitor.

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

"Global specialists"

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

- in a context of declining electricity prices in recent years and expanding renewable energy sources, particularly in Europe, energy companies have been repositioning themselves into the renewables and "downstream" sectors (Fortum, E.on, EDF) in recent years, and particularly energy efficiency services. Moreover, these companies are professionalizing their approach through innovations in the digital field (control centers, network optimization, the Internet of Things, etc.);
- the major equipment manufacturers, such as Evoqua Water Technologies, Itron and Doosan, have a presence in both the municipal and industrial markets. Focused on equipment sales, their growth strategies are also based on developing digital offerings, such as control centers and the Internet of Things. In emerging countries, Veolia faces off against Spanish and Brazilian civil-engineering firms (ACS, Sacyr, Acciona, Odebrecht, etc.), particularly in seawater desalination projects, or Asian equipment manufacturers, such as Hyflux (based in Singapore) and Wabag (based in India), which are gradually moving into operations;
- in the field of oil and gas, the competition is relatively fragmented. In addition to the large equipment manufacturers cited above, this competition comprises engineering companies, service providers and equipment manufacturers (Ecosphere), as well as energy companies, especially in the United States, where we find oil service operators (Schlumberger, Halliburton, Fractech and Baker Hughes-GE) and engineering and construction companies (Worley Parsons, Kellog Brown Root, Wood Group, Bechtel, Technip, Aker Solutions);
- many companies operate in the decommissioning market, owing to the variety of industrial infrastructure reaching the end of its working life: oil rigs (Stork, Cape, Hertel and Bilfinger), petrochemical plants (Amec, AF Group, Aker Stord and Able UK), nuclear reactors (Areva, Onet, Bouygues, Vinci, Westinghouse, Amec, Nukem, Iberdrola, Ansaldo and Tractebel), and transportation, such as ships, trains and aircraft (Tarmac Aerosave, SITA);
- in the service sector, competition takes many forms, and also comes from specialized companies (cleaning, food services, etc.) seeking to expand their offering into energy, from technical maintenance companies focusing on areas such as electrical facilities and which are increasingly forming partnerships with major construction and public works groups (Vinci, Bouygues, etc.) and from groups specializing in facility management (Sodexo, JLL, etc.).

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

"Local specialists"

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

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

An emerging category of new players is leveraging new digital technologies to optimize services to the end customer: brokerage platforms, advanced algorithm software solutions (*e.g.* Rubicon Global (United States), BH Technologies, Trinov (France), Takadu (Israel)).

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

"Local/regional multi-service companies"

In some developing countries, private or public/private companies have a large local footprint and are the leading players in local markets where Veolia also operates. Accordingly, the Singapore-based Sembcorp Group is Veolia's competitor in the Water and Energy business lines, and focuses on construction and operation in emerging countries.

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

1.4 Research and Innovation

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

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

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

In 2017, the total budget for Research and Innovation was approximately €60.2 million.

1.4.1 RESEARCH AND INNOVATION SUPPORTING THE GROUP'S DEVELOPMENT

Research and Innovation (R&I) is coordinated by Veolia Recherche et Innovation (VERI). In 2017, it reported to Veolia Environnement's Technical and Performance Department.

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

After realigning Research and Innovation and the research project portfolios with the Group's strategy in previous years, Research and Innovation was transformed in 2017 restructuring its organization according to the three business lines – Water, Waste, Energy – to optimize the industrialization of innovations produced by the Group.

1.4.2 THREE PILLARS OF RESEARCH AND INNOVATION

Veolia's Research and Innovation is based on **three complementary pillars:**

Research and Innovation carried out within VERI

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

In 2017, it was supported by six key Research and Innovation sites – research centers, test platforms and research pilots – working together as a single research center.

At international level, Veolia had two specialized research centers in 2017: in China, where Veolia has worked closely with the top-ranked Tsinghua University since 2010 and in Singapore since 2014 with a center of excellence for urban modeling.

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

A global internal innovation network

The objective of the Group's internal innovation network is to encourage every employee to innovate to achieve improvements in productivity and performance. It also seeks to develop relations and foster the exchange of information between all Veolia's innovation players, so that R&I requirements from the field can be taken into account and the go-to-market of our technical developments accelerated. The network supports and encourages the development of local innovation initiatives by sharing best practices or making available specific tools. It contributes to increasing total innovation capability and fosters momentum for generating, sharing and applying innovations.

"Open innovation" approach to identify and integrate innovations from outside the Group

Launched in 2010, Veolia's Open Innovation's aim is to accelerate and amplify the Group's innovation capability by integrating innovations complementary to its businesses. It makes use of all open innovation practices: challenges, open channel, territorial initiatives, etc.

Bolstered by these complementary pillars, Veolia's Research and Innovation activities involved nearly 800 experts around the world in 2017, including more than 200 within the Group's internal Research and Innovation structure. Veolia also called on more than 200 partners around the world, both academics recognized for their scientific excellence and industrial clients or public authorities at the forefront of their areas of activity.

1.4.3 SUCCESS AND PROGRESS IN 2017

The research projects presented below, at the cutting-edge of technological advances, are excellent examples of Veolia's Research and Innovation's contribution to customer service and value creation.

1.4.3.1 Water

DESELEC: sludge dewatering industrialization in Asia

The electro-dewatering process using a filter press developed within a VERI project was industrialized in China in 2017 by Veolia Water Technologies (VWT) in collaboration with the company Guinarsan, based in Qingdao (China). These industrialization trials were performed on different types of municipal sludge and confirmed the treatment performance levels obtained by Veolia's Research and Innovation. Dry matter levels of between 40% and 50% were attained while controlling energy consumption. This technology will be rolled-out by VWT after this industrialization phase.

FrogBox

FrogBox is an in-line tool to measure endocrine disruptor levels in wastewater, co-developed with the start-up Watchfrog and produced by ELGA Lab Water. It is used in the wastewater network to monitor specific discharges, for example at the exit of wastewater treatment plants. It forms part of the new service provided by EPAS (Group company), that aims to help wastewater treatment plants control the quality of their discharges into the natural environment.

Actipol international

ACTIPOL 4Gi is a webmapping platform, including notably a matrix associating economic activities and chemical substances. It can be combined with wastewater treatment network monitoring systems (to detect a change in the quality of effluent or specific substances). The aim is to find the possible sources of pollutant emissions in the wastewater treatment network catchment area and identify the polluters. Thanks to these developments, ACTIPOL 4Gi is included in the Group's digital offering and is now accessible outside France.

ZLD/TSAR water recycling solution for industrial companies

VWT is industrializing a new technology (SAPHIRA TSAR) developed with VERI and enabling industrial companies to increase their water recycling thanks to a process with a high conversion rate and lower energy consumption and investment levels. This solution meets the needs of heavy industry, particularly in regions with high water stress levels, where the oil and petrochemical industries seek to maximize reuse of waste water, optimize their water demand and minimize water loss, in order to limit their environmental impact.

1.4.3.2 Waste

AdWaste2Gas: results of a sludge/biomass co-gasification pilot

Adwaste2Gas is a new gasification technology based on the thermochemical conversion principle and enabling the production of syngas – a gas rich in hydrogen – from the transformation of a mix of wastewater treatment plant sludge and other solid waste. A trial in Avignon demonstrated the technical feasibility of the activity and the technology and its good positioning compared with competitive technologies. The project was carried out in collaboration with three companies: A3I, Femag and Snecmmi and an academic laboratory – LM2P2 at Aix-Marseille University.

REFRAVE: feedback after four years' operation of refractory tiles in Toulouse

The REFRAVE project to develop refractory tiles for use in incineration furnaces reached a major milestone in 2017. These tiles have a dual objective: to transfer heat from the chamber to the heat exchangers and to protect the heat exchangers. Four years of trials have now been completed in two waste-to-energy plants operated by Veolia. Feedback on the new refractory tile model – the result of modeling work performed by Veolia Research and Innovation – is positive. The new tile model is protected by a patent and more resistant to heat distortion. It is manufactured by HAASSER under an industrial partnership.

VALSEC: finalization of a project to recover unsold dairy products for animal feed

Veolia Research and Innovation worked with VALSEC (joint venture with Avril) to define and validate an activity for the recovery of protein for animal feed. A stage in this multi-process activity was validated in 2017, enabling an improvement in the activity's operating performance and the percentage recovered. The Research and Innovation teams also participated in the transfer of know-how related to the continuous operation of production, a major challenge for industrialization. The VALSEC project is conducted with the support of the French program "Investments for the Future" managed by ADEME.

SMART AGRI: delivery of version 1 of the decision-making tool

Veolia Research and Innovation has developed a decision-making tool to assist teams in contact with farmers to rationalize fertilization with organic products using an appraisal – simulation – optimization approach. The Century model developed with Colorado State University (CSU) was adapted and calibrated in 2017 for French soil by the Veolia teams in collaboration with CSU using data from field trials. Century enables the carbon and nutrient (N, P and K) dynamics to be coupled, a key factor in the overall optimization of fertilization (organic and mineral). A multi-objective optimization algorithm using the Century model was also developed and tested in 2017, in partnership with Innovation 24 and Sede Environnement (a Group company).

1.4.3.3 Energy

Selection tool for building energy consumption "Measurement and Verification (M&V)" models

Energy performance contracts require Veolia to use a variety of tools to, initially, define its commitments, meet them and then monitor them throughout the contract term. Veolia Research and Innovation has developed an M&V tool enabling the best contractual model to be chosen according to a building's characteristics, based on which the performance level and therefore compliance with commitments can be determined.

Optimization tool for the management of heating and cooling systems in service sector buildings

In the building energy services market, Veolia is committed to improving energy performance. This type of contract requires the implementation of solutions to attain the announced energy savings. Veolia Research and Innovation works to propose strategies involving the optimization of heating and cooling systems based on forecasting models for the thermal behavior of service sector buildings.

In the summer of 2017, the tool was tested in an office building operated by a Group company in Belgium and electricity savings of around 7% were noted over the test period for the refrigeration units. The assessment will continue during the 2017-2018 heating period with heating strategy trials.

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

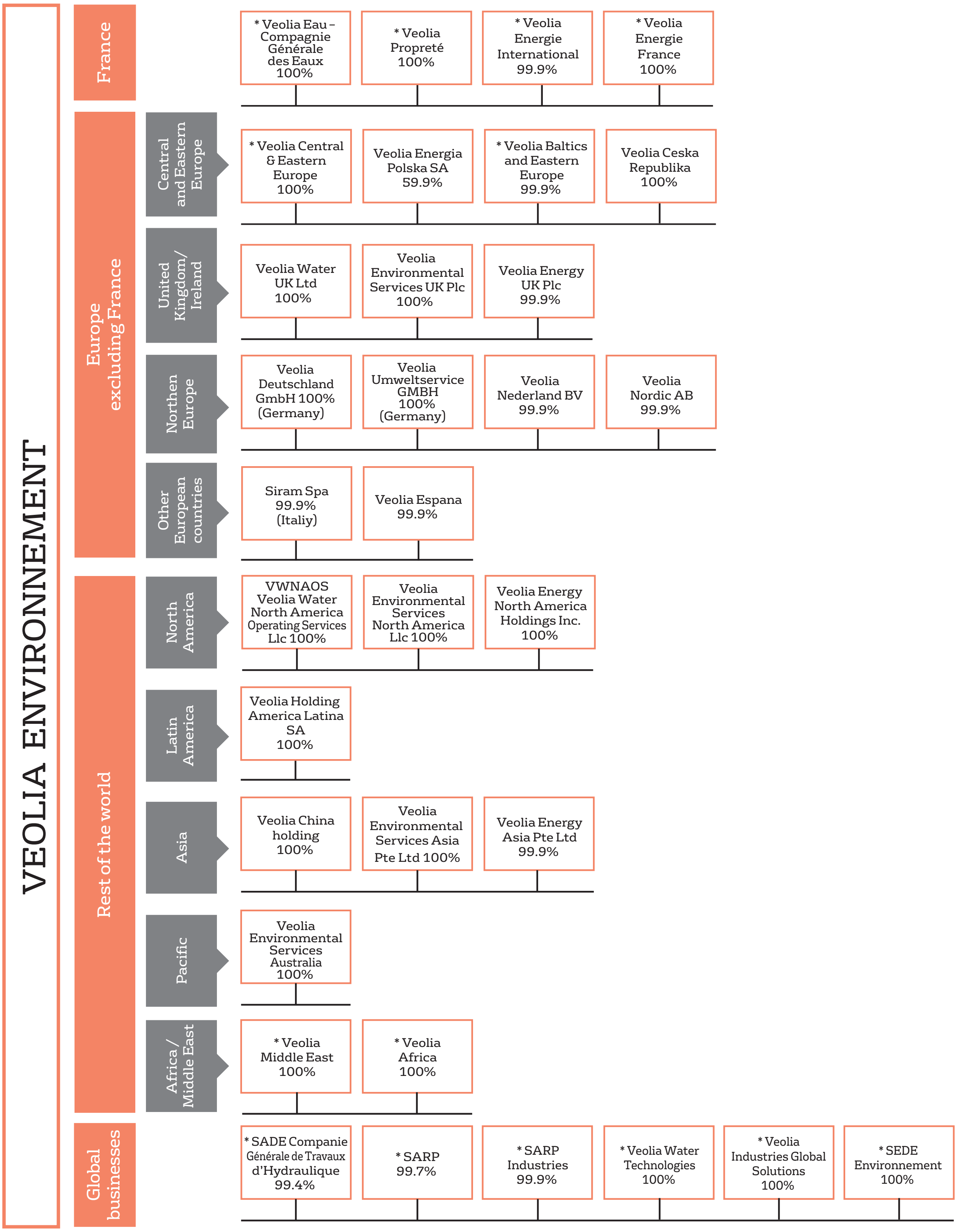
1.5.1 ORGANIZATIONAL CHART

The following organizational chart is a simplified chart of the main subsidiaries owned by Veolia Environnement, directly and/or indirectly, on December 31, 2017, categorized by geographic zone.

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

The list of the main companies included in the 2017 consolidated financial statements is presented in Chapter 4, Section 4.1, Note 15 to the consolidated financial statements below.

The main changes in the consolidation scope and Group structure in 2017 are presented in Chapter 3, Section 3.1.2 below.



Key:

* Company with its registered office in France

% Veolia Environnement's direct and indirect percentage holding as of December 31, 2017

Companies are included in the geographic area where the majority of their activities are conducted.

1.5.2 GEOGRAPHICAL ORGANIZATION

The following table sets out the geographic spread of Veolia Environnement's 2017 revenue by operating segment.

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

2017 revenue

(in € million)	Total
France	**5,414.5**
Water France	2,945.6
Waste Solutions (Recyclage et valorisation des dechets)	2,468.9
Europe excluding France	**8,504.4**
Central and Eastern Europe	2,894.9
United Kingdom and Ireland	2,124.5
Northern Europe	2,490.1
Iberia	373.8
Other Europe excluding France	621.0
Rest of the world	**6,618.6**
North America	2,048.4
Latin America	731.9
Asia	1,567.7
Pacific	1,043.2
Africa/Middle East	1,227.4
Global businesses	**4,558.3**
Veolia Water Solutions andTechnologies	1,768.4
SADE CGTH	1,182.2
Hazardous waste	945.6
Energy France	122.5
Other Global businesses	539.5
Other	**28.9**
TOTAL GROUP	25,124.6

1.5.2.1 France

France is Veolia's historical market and represents a major part of the Group's water and waste activities. The two Business Units in France are Water France and Waste Solutions (*Recyclage et Valorisation des Déchets*). These two Business Units generated consolidated revenue of €5,414.5 million in 2017, or 21.6% of the Group's total business activities. EBITDA is €788.3 million (24% of Group EBITDA for 2017).

Veolia Énergie France revenue is included in the Global businesses segment (see Section 1.5.2.4 above).

Comments on revenue trends and results for this segment may be found in Chapter 3, Section 3.2.2 above.

Water France

Veolia Water France is a major player in the management of water and wastewater services on behalf of public authorities and industrial companies. Veolia Water France teams have significant expertise in the treatment and monitoring of water quality at all stages of the water cycle, from abstraction of the natural resource to discharge into the environment. In addition to this expertise, Veolia Water France innovates daily to improve the performance of services, treatment processes and installations and ensure a high quality of water and wastewater.

Through its various missions, Veolia Water France assists local authorities and companies with regional development that respects all and the environment.

A range of integrated services also permits it to meet every requirement of the large water cycle:

- the resource and its conservation;
- large-scale management and operation of water production and treatment plants;
- recovery of materials or products contained in effluents;
- reuse of treated effluents;
- nature conservation.

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

Veolia Water France supplies drinking water to around 23 million people and wastewater systems to 13.9 million.

The water sector is undergoing major changes that modify the activities of all regional development and large water cycle players (NOTRe law). To meet requirements for reactivity, transparency, performance and innovation, Veolia Water France wishes to continue to build jointly, through partnerships, new public-private models, around "Public Service Contracts".

In 2017, Veolia Water France launched a new corporate project, "Osons 20/20!", with the goal of being the leader and definitive benchmark for future water and wastewater services. To this end, Water France has made local service its number one commitment, creating 67 Area Bases across nine regions to provide strong local roots and place responsibility clearly with operations on the ground. Water France's corporate project, "Osons 20/20!" aims to sustainably create value through an organizational structure adapted to market opportunities.

Nova Veolia was created in 2015 as part of a search for new growth drivers. Nova Veolia is a wholly-owned subsidiary of Veolia Water France, tasked with developing innovative services with a high digital component. An incubator for new activities, Nova Veolia develops and commercializes, through expert companies, services based on know-how and expertise with high added value. Nova Veolia's innovative offering focuses on the new needs of public and private companies, both in the water and other sectors.

Revenue for this Business Unit in 2017 amounted to €2,945.6 million and represents 11.7% of Group revenue in 2017.

Comments on revenue trends and results for this Business Unit may be found in Chapter 3, Section 3.2.2 below.

Taken together, the public service concession contracts renewed in 2017 represent estimated cumulative revenue of €98.4 million, in what remains a highly competitive market.

Major contract wins during the year include:

- Ajaccio (Corsica): Veolia Water France won a 12-year concession for the management of water and wastewater treatment services for 83,401 inhabitants across 10 districts;
- Valenton (Paris region): Veolia Eau France partnered with SIAAP to create SEMOP to manage the second-largest wastewater treatment plant in Europe (3.6 million Eq/h);
- the Lille European Metropolis awarded Veolia the public contract to operate Ovilléo, a new generation wastewater treatment plant using sustainable development technologies;
- as part of a public contract to operate Le Mans Metropolis' wastewater treatment plant, Veolia Water France will build an anaerobic digestion unit to inject biogas into the public gas distribution network.

The following table presents revenue generated by the main municipal contracts in France which are to be renewed or renegotiated during the period from 2018 to 2021.

City	Estimated annual revenue *(In € million)*	Contract expiry date
Toulouse – Wastewater systems	56	2020
Toulouse – Drinking water	40	2020
Toulon (2 drinking water contracts/1 wastewater contract)	32	2019

Waste Solutions (*Recyclage et Valorisation des Déchets*)

In a mature waste market, marked by a decrease in tonnage, legal and regulatory developments offer a favorable framework for the transition to a circular economy.

The circular economy package adopted by the European Commission and the law for energy transition and green growth establish ambitious goals for reducing the tonnage of waste taken to landfills (-30% by 2020 and -50% by 2050) and replacing it with recycling and the use of waste recovery as a source of energy. In addition, in France, the law on the new territorial organization of the French Republic (the "NOTRe" law) led to the regrouping of public authorities and the overhaul of the scope of waste collection and processing clients (public administrative area groupings (EPIC), metropolis, municipal associations, joint agencies, etc.). Therefore, while looking for economically-efficient collection and recovery services, market players (local authorities and industrial companies) seek to contribute to the objectives of the energy transition law through resource-saving production and consumption methods.

(1) According to the BIPE 2015 report.

As a partner to many industries and public authorities, Veolia's Waste Solutions business is seeking to become the benchmark producer for secondary raw materials and green energy. the Company offers a comprehensive range of innovative solutions for every stage of the waste cycle, from collection to recovery as either materials or energy.

Upstream of the waste cycle, Veolia's Waste Solutions business offers its industrial and public authority clients:

- innovative collection solutions tailored to the specific local circumstances (economic, social, environmental) of public authorities, such as performance contracts;
- collection solutions for industrial waste flows and integrated offers for the maintenance of industrial production equipment.

Downstream, Waste Solutions transforms waste into resources and performs processing operations to eliminate pollutants:

- sorting, recycling and recovery of household waste and non-hazardous industrial waste using high-performing installations producing secondary raw materials able to replace virgin materials;
- dismantling of industrial sites and equipment at the end of their useful lives (ships, planes, trains, vehicles, etc.) by the subsidiary Veolia Déconstruction France;
- developing recovery and trading activities to reintroduce secondary raw materials into production systems, for example *via* its Triade network, which recycles and recovers e-waste, or VPFR, which deals in secondary raw materials (paper/cardboard and plastics);
- transformation of organic matter into compost to be applied to land;
- production of refuse-derived fuels (RDF) as well as heat and electricity from landfilled or incinerated waste or RDF.

The Waste Solutions business is carried out by Veolia Propreté and certain of its French subsidiaries.

Revenue for this Business Unit in 2017 amounted to €2,468.9 million and represents 9.8% of Group revenue in 2017.

Comments on revenue trends and results for this Business Unit may be found in Chapter 3, Section 3.2.2 below.

Veolia Énergie France

Veolia Énergie France, offers comprehensive energy services to public and private clients in France. Veolia Énergie France reported annual revenue of €122.5 million in 2017.

Veolia Énergie France proposes three types of offerings:

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

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

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

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

- regional public authorities (municipal buildings, junior and senior high schools, swimming pools);
- health (hospitals, assisted living and retirement homes, etc.);
- defense (army, police, etc.);
- industry (food and beverage, laboratories, cosmetics, etc.);
- living (condominiums, social housing, hotels, luxury residences);
- service (buildings, offices, movie theaters, wholesalers, shopping malls, etc.).

The major contracts signed in France in 2017 with municipalities or with companies in the industrial and service sectors were as follows*:

Municipality or company and location thereof	Month of signature of contract	New contract, or extension or renewal	Contract term	Estimated cumulative revenue *(in € million)*	Services provided
Water France					
Lille European Metropolis	May	Renewal	5	40	Operation of a wastewater treatment plant
Syndicat Mixte de l'Agglomération Mâconnaise	May	Renewal	10	24	Production and distribution of drinking water
Mâcon County	June	Renewal	10	34	Production and distribution of drinking water, collection of wastewater and rain water
Communauté Urbaine Saint-Etienne Métropole	June	Renewal	12	24	Production and distribution of drinking water
Bonifacio County	July	Renewal	12	24	Management and distribution of drinking water and municipal wastewater services
Le Mans Métropole Communauté Urbaine	August	Renewal	9	60	Operation of a wastewater treatment plant. Design and operation of an anaerobic digestion unit
Syndicat Intercommunal d'Assainissement de l'Agglomération Parisienne (SIAAP)	September	New	12	397	Operation of the Valenton wastewater treatment plant
Communauté Urbaine Le Creusot Montceau Les Mines	October	Renewal	8	92	Production and distribution of drinking water, collection and treatment of wastewater
Nantes Metropolis	November	Renewal	8	24	Operation of a drinking water service
Communauté d'Agglomération du Pays Ajaccien	November	Renewal	12	168	Production and distribution of drinking water and municipal wastewater services
Commune de Saint-Pierre (La Réunion)	December	Renewal	11	123	Operation of water and wastewater treatment public services
Waste Solutions (Recyclage et Valorisation des Déchets)					
Lille European Metropolis (MEL)	February	Renewal	4	35	Collection of bulky waste
Lille European Metropolis (MEL)	March	Renewal	12	295	Operation of the Halluin waste-to-energy facility
Communauté d'Agglomération du Pays de Grasse (Grasse)	March	Renewal	5	29	Collection of household waste and provision of related services
Syndicat Départemental d'élimination des déchets de l'Aube	June	Renewal	4	33	Processing, sorting and recovery of household and similar waste
SAICA Paper France	July	Renewal	3(1)	109	Supply of paper and cardboard
Smurfit Kappa Papier Recyclé France	July	Renewal	3(2)	45	Supply of recycled paper and cardboard
International Paper SA	September	Renewal	5	20	Industrial waste collection, processing and recovery
Reims Metropolis (Greater Reims)	October	Renewal	9	85	Operation of a waste-to-energy facility for household waste and an interconnection heating network
SIVOM Rive Droite	December	Renewal	5	45	Waste collection and provision of collection centers
Rennes Metropolis	December	Renewal	3.5	35	Operation of waste-to-energy facility
Energy France					
City of Nice	May	New	8	25	Operation of heating and air-conditioning installations and production of hot water
Toulouse Metropolis	July	New	20	25	Operation of a heat production and distribution network
13 Habitat Marseille	July	New	6	30	Operation of collective heating, hot water and air-conditioning installations

* *Revenue from the contracts indicated represents the portion due to Veolia under these contracts. Accordingly, the sums indicated may differ from the figures provided in the press releases issued by the Group.*
(1) Automatic two one-year extensions.
(2) Automatic one-year extension, up to a maximum of two times.

1.5.2.2 Europe excluding France

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

Revenue for this Europe excluding France segment in 2017 amounted to €8,504.4 million and represents 33.8% of Group revenue for 2017 EBITDA is €1,305 million (39.7% of Group EBITDA for 2017).

Comments on revenue trends and results for this segment may be found in Chapter 3, Section 3.2.2 below.

Central and Eastern Europe

Veolia is mainly present in Central Europe in the water and energy markets, where the Group manages municipal drinking water and/or wastewater systems for major cities including the capital cities Prague, Sofia and Bucharest. Veolia also supplies around 35% of the Czech population. In the energy market, the Group has a strong presence in the operation of heating networks (production and/or distribution), in particular in Poland (dominant position due to its presence in Warsaw, Poznan and Lodz), in the Czech Republic (Prague Left Bank and Ostrava), Slovakia (Bratislava), Hungary (Pecs) and Romania (Ploesti and Lasi).

These activities were reinforced in 2017, notably with the acquisition of two mid-sized CHP plants in the north-west of Hungary (150 km from Budapest), the extension of our biomass plant portfolio (Dorog, Pecs, Szakoly) and the acquisition in Poland of Poltino Energia SA, a platform providing heat to Lezajsk and its industrial area (200 km east of Cracow). Veolia also gained a foothold in the Czech Republic waste market, acquiring a number of companies specializing in the recycling and recovery of non-hazardous industrial and commercial waste.

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

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

United Kingdom and Ireland

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

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

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

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

Northern Europe

In Northern Europe, the environmental regulatory framework and the business climate benefit Veolia's business lines, with the notable exception of public water supply services, which public authorities rarely delegate. Numerous opportunities exist for Veolia in these countries, particularly for the implementation of innovative environmental solutions in utility infrastructures.

In Germany, the Group is present in the three business lines – Water, Waste and Energy – through partnerships with public authorities, industrial clients and service companies. In 2017, Veolia strengthened its presence in waste recovery with a number of small acquisitions in the plastic recycling and alternative fuel sectors.

Veolia is present in Benelux in the Energy and Water business lines. In the Netherlands, Veolia also manages utilities at industrial sites and recycles plastic and paper.

In the Nordic countries (Sweden, Norway and Finland), in addition to the Water and Energy business lines, Veolia entered the recycling (paper, plastic) and industrial cleaning market in 2017 and can now offer industrial clients a range of services covering all the Group's business lines.

In Northern Europe, Veolia proposes a wide and varied range of offerings relating to the circular economy – recycling, sludge recovery, biogas, Water and Energy performance contracts (*e.g.* building energy efficiency), resilience offerings for managing rainwater in Germany, multi-business line contracts for municipalities or industrial sites intended to reduce their environmental footprint, with Veolia's regional coverage enabling the combination of the three business lines.

Other European countries

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

In Portugal, Veolia's activities include energy recovery from solid municipal waste and energy efficiency solutions for thermal systems in buildings and industries for public and private clients.

A leader in energy efficiency in Spain, Veolia is progressively diversifying into the Group's traditional businesses. In the energy sector, Veolia manages nearly 8,000 facilities, ranging from the operation of heating and cooling networks (including EcoEnergies Barcelona powered by biomass) to building energy efficiency (including hospitals in Bilbao, Madrid and Vigo) and utilities management at industrial sites (L'Oréal, Indra, Soria Natural). In order to guarantee its industrial and municipal clients the best possible performance, Veolia opened an energy management center in Spain, *Hubgrade*, from which it can remotely control all its facilities on a real time basis.

Veolia also manages the sole hazardous waste incineration plant in Spain (in Constanti in Catalonia), a mechanical and biological processing, composting, waste-to-energy and anaerobic digestion plant (in Matoro in the Maresme region in Catalonia), the Saragossa wastewater treatment plant and one of the county's largest desalination plants in Almeria.

In Italy, Veolia is active in integrated energy management services through its subsidiary, SIRAM. It manages more than 4,800 thermal facilities for public and private clients. Veolia offers multi-service and energy performance contracts for the service sector with a strong market presence in hospitals (*e.g.* Milan Polyclinic, ASP Palermo), public administration (*e.g.* the University of Parma in the Lombardy region) and the industrial sector (*e.g.* multi-technical contracts with Peroni and Leonardo).

The major contracts signed in the Europe excluding France segment in 2017 with municipalities or with companies in the industrial and service sectors were as follows*:

Municipality or company and location thereof	Month of signature of contract	New contract, or extension or renewal	Contract term	Estimated cumulative revenue *(in € million)*(1)	Services provided
Azienda Sanitaria Provinciale (ASP) Palermo Italy	January	New	9	41	Collective energy services
Knauf Insulation Limited United Kingdom	January	New	11	56	Management of industrial waste
Heineken and the City of Lezajsk (Poltino Energia) Poland	January	New	10	27	Supply of industrial and collective heating
CEZ Energetické služby – (TEVI) (Vítkovice) Czech Republic	February	New	15	26	Connection of the industrial zone to the heating network
Servicio Andaluz de Salud – Hôpital Reina Sofia(Cordoue) Spain	March	Renewal	15	56	Energy services for three hospitals
Hôpital Umberto I Ancona Italy	March	New	6	42	Energy services
PCA SLOVAKIA, s.r.o – Sloveo (Trnava) Slovakia	March	Renewal	3	18	Industrial multiservices
South London Waste Partnership United Kingdom	March	New	8	238	Solid waste management
Université Catholique de Louvain (Woluwe-Saint-Lambert) Belgium	July	New	10(2)	4	Energy services, heating network maintenance services
Irish Water (Ringsend) Ireland	December	New	2	51	Municipal water services

* *Revenue from the contracts indicated represents the portion due to Veolia under these contracts. Accordingly, the sums indicated may differ from the figures provided in the press releases issued by the Group.*
(1) Aggregate revenue is estimated based on the contract amount translated into euro at the 2017 average closing exchange rate.
(2) Potential renewal for a period of five years.

1.5.2.3 Rest of the world

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

Revenue for this Rest of world segment in 2017 amounted to €6,618.6 million, and represents 26.34% of Group revenue in 2017. EBITDA is €938.3 million (28.57% of Group EBITDA for 2017).

Comments on revenue trends and results for this segment may be found in Chapter 3, Section 3.2.2 below.

North America

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

Serving cities, public authorities, hospitals and a wide range of urban university campuses, Veolia in North America is active in water, energy and waste management. Veolia offers operation and maintenance solutions for the energy sector to municipal and commercial clients. A significant part of Veolia's Energy activities is based on services for district energy networks, and it also offers energy efficiency services and consulting solutions.

The Group is a leading provider of operations management and maintenance services for drinking water and wastewater systems in the North American sector *via* public-private partnerships. In addition to these traditional models, Veolia has developed an innovative consultancy and performance-based contract model to help cities identify efficiency opportunities and implement improvements, which has been successfully introduced in cities such as New York, Washington DC and Pittsburgh.

For industrial clients, Veolia is primarily involved in the Water and Waste business lines, with a significant portion of its revenue coming from the oil and gas industry (primarily refineries: regeneration services, processing of oil sludge, industrial cleaning of tanks, hazardous waste processing, etc.), chemicals, mining and metals and the pharmaceutical industry. By viewing waste disposal as an opportunity to create an energy source, or making new products through solvent reclamation processes and beneficial reuse programs, Veolia turns industrial clients' environmental challenges into circular economy solutions.

These circular economy solutions, in particular in the form of resource recovery and regeneration, are some of Veolia's primary areas of development in North America following its recent success in potash recovery and the cleaning and recycling of wastewater. With the expansion of its regeneration offerings, elemental sulfur, spent sulfuric acid and sulfur gases are now used to produce clean fuming and non-fuming sulfuric acids and other high-value sulfur derivative (HVSD) products for use in wide range of industrial activities across the United States.

At the beginning of 2018, Veolia Environmental Services North America, LLC, a subsidiary of Veolia North America, and Clean Harbors, announced the signature of a definitive agreement for Clean Harbors to acquire Veolia North America's US industrial Cleaning Services Division. The acquisition was completed on February 23, 2018.The transaction will not impact Industrial cleaning operations in Canada and other regions of the world.

Latin America

In Latin America, Veolia operates its Water, Waste and Energy business lines in Brazil, Argentina, Chile, Colombia, Peru, Mexico and Ecuador. Business in these countries was initially geared towards public authorities. Since its total takeover of Proactiva in 2013, Veolia's aim has been to roll out high added-value solutions, such as hazardous waste management *via* the Mexican subsidiary (RIMSA), industrial process water recycling and, since 2017, the recovery and processing of solvents in Argentina.

The confirmed intent for "green" growth on the part of many countries in the zone has meant a tightening of environmental restrictions, leading industrial companies to implement recycling and recovery solutions and control their environmental footprint more effectively. In addition, Latin American metropolitan authorities are working to support urban growth by developing high-performing, efficient and sustainable public services. The main focus areas for progress are: optimizing public services, creating waste recovery solutions, rational water resource management and protecting the natural environment. In 2017, Veolia won the public call for tenders published by the government of Mexico City and signed a contract to Design, Build, and Operate the largest Waste-to-Energy facility in Latin America. With a capacity twice that of the largest facility in France, each day it will convert about one-third of the city's household waste into green energy. The 965,000 MWh of electricity produced each year by the plant will be used directly by Mexico City's subway.

Veolia's current portfolio of activities provides an excellent basis for development, to continue supplying the Group's traditional range of offers to public authorities (*e.g.* extending the water concession for Monteria, Colombia) and to expand into the mining, oil and gas and food and beverage sectors by providing offers with significant added value for industrial clients. Additionally, thanks to its alliance with EPM (Empresas Públicas de Medellín), a major player in public services in Colombia and targeted acquisitions of specialist local companies, Veolia is also rolling out energy efficiency services in this zone.

Asia

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

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

Pacific

In Australia, Veolia's business is split between the industrial (80%) and the municipal (20%) markets, with the latter primarily involving Waste business lines. The oil and gas and mining industries are important markets as regards energy efficiency and waste processing and recovery. The traditional water market remains a development opportunity for Veolia, driven by the digitalization of services and public authority desire to improve customer satisfaction.

Africa/Middle East

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

In the industrial market, despite the fall in the price of crude oil and minerals, the national and international oil and mining industries, whose presence is strong in this region, remain buoyant, as does the food and beverage industry driven by demographic growth (wastewater treatment, processing of hazardous waste, supply of process water). Finally, Veolia has a strong presence in the service sector in the Middle East through its subsidiary ENOVA, a joint venture with Majid-Al-Futtaim.

In Africa, Veolia is primarily present in three African countries: Morocco, Gabon[(1)] and Niger. In Morocco, Veolia provides electricity and water distribution services and wastewater treatment services for the cities of Rabat, Tangier and Tetouan through three concession contracts. In Gabon, Veolia provides electricity and drinking water production and distribution services for the entire country through a concession contract[(1)]. Lastly, in Niger, Veolia supplies the country's urban centers with drinking water under a lease contract.

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

(1) See Chapter 3, Section 3.7 and 3.1.1 below.

The major contracts signed in the Rest of world segment in 2017 with municipalities or with companies in the industrial and service sectors were as follows*:

Municipality or company and location thereof	Month of signature of contract	New contract, or extension or renewal	Contract term	Estimated cumulative revenue (in € million)(1)	Services provided
Hyundai Powertech South Korea	January	New	10	17	Industrial water management
ABSA (Aguas Bonaerenses SA) Argentina	January	New	3	60	Municipal water management
Gabonese Republic	January	Extension(2)	5	1,737	Management of water and electricity services
TIANREC (Shaanxi Non-Ferrous Tian Hong REC Silicon Materials Co. Ltd) China	February	New	1	11	Industrial water management
Chevron Australia Pty. Ltd. Australia	March	New	3	25	Industrial services
Agencia de Gestión urbana de la Ciudad de México – Mexico City Mexico	May	New	30	886	Design, build and management of a waste-to-energy facility
Honolulu Hawaii, United States	June	Renewal	5	21	Operation and maintenance of a wastewater treatment plant
Maipu Chile	August	New	6	28	Urban waste management
EPAM MANTA (Manta Alianza) Ecuador	September	New	10	51	Municipal water management
Emirates Global Aluminium PJSC (EGA) (Al Taweelah) United Arab Emirates	September	New	5	27	Transport of bauxite residues and dry storage
Hamamatsu Japan	October	New	20	450	Wastewater treatment plant concession contract
MP Water Pty Ltd Australia	November	New	15	272	Industrial water management
Danbury Connecticut, United States	November	Renewal	5	21	Operation and maintenance of a wastewater treatment plant
Oman Power and Water Procurement Company (Salalah) Oman	December	New	20	90	Municipal waste management
KleanNara Co. Ltd South Korea	December	New	15	95	Industrial site wastewater treatment
Antero Treatment LLC United States	2017	New	10	57	Loading, packaging and disposal of sludge

* *Revenue from the contracts indicated represents the portion due to Veolia under these contracts. Accordingly, the sums indicated may differ from the figures provided in the press releases issued by the Group.*
(1) Aggregate revenue is estimated based on the contract amount translated into euro at the 2017 average closing exchange rate.
(2) See Chapter 3, Section 3.7 and 3.11 below.

1.5.2.4 Global businesses (Global Enterprises)

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

Revenue for this Global businesses segment in 2017 amounted to €4,558.3 million, and represents 18.14% of Group revenue for 2017. EBITDA is €259.8 million (7.91% of Group EBITDA for 2017).

Comments on revenue trends and results for this segment may be found in Chapter 3, Section 3.2.2 below.

Veolia Water Technologies

Veolia Water Technologies (VWT) is responsible for the Groups' design and execution offers in the Water sector. The subsidiary designs and builds drinking water production and wastewater treatment plants around the world for a range of industrial and municipal clients. *Via* its subsidiaries, VWT also offers solutions, equipment and technologies tailored to water treatment and mobile solutions.

SADE

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

Hazardous waste

The Hazardous Waste Division encompasses hazardous waste collection and processing activities and includes the solutions proposed by the Group in the nuclear sector, the range of which was expanded by the acquisition of Kurion in 2016.

SARP – SARP Industries

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

The hazardous materials processing market has considerable development potential, and Veolia has acquired very innovative recovery processes allowing it to produce high quality raw materials while controlling the health and environmental risks relating to hazardous waste. The Group possesses the technologies, know-how and unique organization necessary to drive its growth in the processing of hazardous waste.

Nuclear Solutions

Veolia grouped together its activities in the nuclear sector in a Business Unit: Nuclear Solutions. This entity includes Kurion, Veolia ES Alaron and Asteralis.

The Group announced its objectives in the nuclear clean-up sector in 2013 with the signature of a collaboration agreement with the French Alternative Energies and Atomic Energy Commission (CEA) and the creation of Asteralis. The acquisition in 2016 of Kurion, a California-based company which successfully stabilized the Fukushima Daiichi nuclear plant and specializes in nuclear clean-up technologies, completes Veolia's offering for the nuclear industry. The Group is now able to provide all existing solutions and notably characterization, robotics, the separation of radioactive components, decontamination and stabilization by vitrification or cementation, as well as know-how in both nuclear facility clean-up and the processing of low and medium-level radioactive waste.

Other

Sede Environnement

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

Veolia Industries Global Solutions

Veolia Industries Global Solutions (VIGS) is responsible for industrial service contracts, generally multi-business line and multi-country. More precisely, VIGS proposes four integrated offerings dedicated to key industrial clients: Global Facility Management, Integrated Utilities Management, Management of Industrial Platforms and Management of Design, Build and Financing Projects for new installations. These offerings have been adapted to different industrial sectors and particularly the Automobile, Pharmaceutical, Defense and Aeronautics, Steel, Food and Beverages and Chemicals sectors VIGS operates the production assets and utilities of industrial companies on their behalf and provides a wide range of services representing over 30 different businesses (see Section 1.3.1.4 above).

The major contracts signed in the Global businesses segment in 2017 with municipalities or with companies in the industrial and service sectors were as follows*:

Municipality or company and location thereof	Month of signature of contract	New contract, or extension or renewal	Contract term	Estimated cumulative revenue *(in € million)*(1)	Services provided
Water					
SGP Société du Grand Paris France	January	New	3	17	Civil engineering work on the Greater Paris 15 line
EuroChem – VolgaKaliy LLC (Moscow) Russia	March	Extension	1.5	45	Supply and operation of mining effluent treatment equipment
Office National de l'Electricité et de l'Eau potable (ONEE) Morocco	March	New	1	19(3)	Supply and laying of pipelines and drinking water supply equipment
North American Lithium Inc. Canada	March	New	2	9	Supply and operation of mining effluent treatment equipment
Sjøtroll Havbruk AS Norway	April	New	2	33	Design and supply of a water treatment plant for aquaculture
Société Nationale des Eaux du Sénégal (SONES) Senegal	April	New	2	32	Supply and laying of pipelines and drinking water supply equipment
Syndicat Intercommunal pour l'Aménagement Hydraulique des vallées du Croult et du Petit Rosne (SIAH) France	July	New	10	117	Extension and upgrade of a wastewater treatment plant
Waste					
Total Marketing Services France	July	New	7.5	14	Remediation of soil and treatment of groundwater at a former oil storage depot
Multi-businesses					
CENEXI Belgium	(2)	Extension of the framework agreement	8	10	Multi-service and multi-technical services
Peugeot Citroën Automobiles France	March	New	3	9	Multi-service and multi-technical services
SK Biotek Ireland	November	New	3	12.5	Multi-service and multi-technical services

* *Revenue from the contracts indicated represents the portion due to Veolia under these contracts. Accordingly, the sums indicated may differ from the figures provided in the press releases issued by the Group.*
(1) Aggregate revenue is estimated based on the contract amount translated into euro at the 2017 average closing exchange rate.
(2) Contract signed in December 2016.
(3) Including taxes.

1.5.3 OTHER ACTIVITIES

1.5.3.1 Intellectual property

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

The Company owns a number of trademarks including the "Veolia" brand, which is protected in France and internationally. The Group applies a brand strategy that brings together the Water, Waste and Energy businesses under a common brand name, "Veolia".

Innovation is a key factor in the growth and profitability of Veolia. Veolia capitalizes on its know-how primarily through the creation of tools combining the expertise of the Group's business lines and new technologies, as well as of innovative processes and systems. Veolia seeks to protect these innovations by appropriate means.

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

1.5.3.2 Real estate, plants and equipment

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

The total gross value of Group non-current assets (excluding other intangible assets) as of December 31, 2017 was €27,209.3 million (net value of €12,383.8 million, or 32% of total consolidated assets), compared with €27,260.2 million as of December 31, 2016, re-presented (net value of €12,688.5 million, re-presented).

In the conduct of its concession management business, Veolia Environnement provides collective services (distribution of drinking water and heating, household waste collection, etc.) to public authorities in return for remuneration based on the services performed. These collective services (also known as services of general interest or general economic interest, or public services) are generally managed by Veolia Environnement under contracts entered into at the request of public sector bodies, which retain control over the assets associated with these services. Concession agreements involve the transfer of operating rights for a limited period, under the control of the public authority, using dedicated facilities built by Veolia Environnement, or made available to it by the delegating authority (free of charge or in return for payment of royalties). Facilities mainly consist of pipelines, water treatment and purification plants, pumps etc. in the Water business, incineration plants in the Waste business, and urban heating networks and heating and co-generation plants in the Energy business.

With respect to these assets, Veolia Environnement is generally subject to contractual obligations under public service contracts to maintain and repair the facilities that it manages. Where necessary, related repair and maintenance costs are provided for in contractual commitments in the event of delays in the performance of work. The nature and extent of the Group's rights and obligations under these different contracts vary according to the type of public service performed by the different Group business lines.

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

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

Overall, the Group has approximately 10,500 production sites, including:

- 4,117 drinking water production plants managed;
- 2,878 wastewater treatment plants managed;
- 579 waste processing facilities operated;
- 2,961 industrial sites managed.

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

In addition, assets purchased under finance leases which fall into one of the three asset categories detailed above had a net value of €184 million as of December 31, 2017.

Finally, the provision of assets under concession agreements (whether by the Group or the delegating authority) results, in the absence of guaranteed remuneration, in the recognition of concession intangible assets in the accounts.

The main insurance policies subscribed by the Company are described in Chapter 5, Section 5.3 of this Registration Document.

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

1.6 Environmental regulation

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

1.6.1 CROSS-CUTTING REGULATIONS

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

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

In Europe

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

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

With regard to chemicals, Regulation (EC) 1907/2006 of December 18, 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), seeks to reduce the health and environmental risks associated with the manufacture and use of chemical substances and improve the management of these risks throughout the life cycle of the chemicals, in order to ensure better health, safety and environmental protection. For the Group, as a user and producer of such substances, this involves greater cooperation and a better exchange of information with suppliers and customers. With the same purpose as the REACH regulation, Regulation (EC) 1272/2008 of December 16, 2008 on Classification, Labeling and Packaging (CLP), harmonized the existing provisions and criteria concerning the classification, packaging and labeling of hazardous substances taking account of the adoption of the United Nations' Globally Harmonized System (GHS).

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

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

With regard to greenhouse gases (GHG) in the atmosphere, their increase has led certain countries, as well as the international community, to implement regulatory measures in order to limit this trend.

At international level, the Kyoto Protocol set a 2008-2012 greenhouse gas reduction target of 8% for the European Union, based on 1990 emission levels. Directive 2003/87/EC of October 13, 2003 amended Directive 96/61/EC and created a community-wide emissions trading system (EU ETS) that came into force in 2005 and resulted in the creation of national quota allocation plans (NQAPs) for an initial trading period (2005-2007), followed by a second period (2008-2012) corresponding to the commitment period of the Kyoto Protocol. Directive 2009/29/EC of April 26, 2009 extended the EU ETS to cover a third period (2013-2020), providing for a gradual reduction in allowances allocated and new allocation procedures in order to achieve a 20% reduction in greenhouse gas emissions by 2020 (compared to 1990 levels). Unfortunately, the Kyoto Protocol was not extended by recent COPs (Conference of the Parties), with only an obligation to limit global warming to 2°C included in the Paris Agreement.

The European Commission's decision of December 15, 2010 sets out the rules for allocating free quotas for the period 2013 to 2020, which decrease for the heating sector from a standard allocation of 80% in 2013 to 30% in 2020. The European Union decided to extend the CO_2 emissions trading scheme to 2030. A draft directive, knows as "phase 4", was negotiated throughout 2017 by the Commission, the Parliament and the European Council. The directive has not yet been published but its content is stabilized and the final vote is expected in February 2018. The continuity of the ETS demonstrates the European Union's commitment to continue putting a price on CO_2.

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

Decision 2015/1814 of the European Parliament and of the Council came into effect on October 6, 2015 and requires the implementation of a mechanism, from 2019, that will take 12% of allowances off the market and place them in a reserve (known as the Market Stability Reserve). 900 million metric tons of allowances initially intended to be auctioned will also be placed in this reserve through back-loading in 2019 and 2020. Should the number of allowances on the market fall below 400 metric tons, 100 metric tons of emission allowances will be released for auction. These decisions, combined with the continuation of the system beyond 2021, created tension in the market. The price reached €8 at the end of 2017 before stabilizing at €7.70/metric tons since the beginning of 2018.

EUCO conclusions 169/14 of the European Council of October 24, 2014 provide for a 40% reduction in greenhouse gas emissions in the European Union by 2030 compared to 1990 levels. This represents a 43% reduction compared with 2005 levels for sectors subject to the EU ETS, or a reduction of 2.2% maximum per annum in the emissions cap between 2021-2030 (Phase IV) instead of 1.74% in Phase III. The legislative mechanism which will govern free allocation rules proposed by the European Commission on July 15, 2015 (proposal for a Directive 2015/148 COD) was debated during phase 4 discussions. The upcoming regulation proposes a more drastic reduction in free allocations, setting the annual percentage reduction 2.4% (between 2021 and 2030).

The fight against atmospheric pollution led to the publication of Directive 2016/2284 on December 14, 2016 setting Member State emission reduction commitments for sulfur dioxide, nitrogen oxides, non-methane volatile organic compounds, ammonia and fine particulate matter.

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

As concerns major risks, Directive 2012/18/EU of July 4, 2012 on the control of major accident hazards involving dangerous substances (Seveso 3) repeals the Seveso 2 Directive with effect from June 1, 2015. It establishes new prevention rules primarily integrating the changes introduced by the Classification, Labelling & Packaging (CLP) regulation.

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

On November 30, 2016, the European Commission adopted the clean energy package which seeks to put energy efficiency first, achieve global leadership in renewable energies and provide a fair deal for consumers. It includes amendments to several directives including the directive dealing with energy efficiency and renewable energies.

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

In France

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

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

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

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

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

The energy multi-annual planning document, another major energy policy document, was adopted by decree on October 27, 2016. This document defines priority actions for public authorities covering the management of different types of energy and sets objectives for the period 2016-2023.

The Biodiversity, Nature and Landscape Law of August 8, 2016 amended environmental law and biodiversity protection principles (introducing principles of ecological solidarity and non-regression) and inserting compensation for ecological prejudice into the French Civil Code. It introduced a mechanism governing access to genetic resources and the fair and equitable sharing of benefits (in accordance with the Nagoya protocol) and a new compensation system for damage to biodiversity. The main change at institutional level concerns the creation of the French Agency for Biodiversity which will, in particular, take over the duties of the National Office for Water and Aquatic Environments (ONEMA).

The national plan to reduce emissions of atmospheric pollutants (PREPA) was published in an Order dated May 10, 2017 (and a decree on the same day). These texts set out the national emission reduction objectives for 2020, 2025 and 2030 and the actions to be taken.

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

After environmental assessment reforms (impact study) and public information and consultation initiatives (pubic inquiry) launched in 2016 and implemented in 2017, the single environmental permit reform (Order no. 2017-80 and Decrees of January 26, 2017) substantially changes ICPE legislation. It mergers the different environmental procedures and decisions concerning projects requiring permits pursuant to ICPE regulations or the Water Act (IOTA see below).

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

In the United States

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

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

The majority of the Group's **energy** activities in the United States fall into two categories:

- activities relating to the ownership of energy production plants and trading on the electricity wholesale market; and
- activities relating to the production and distribution of thermal energy.

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

In Australia

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

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

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

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

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

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

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

In China

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

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

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

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

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

On December 21, 2016, the Chinese Ministry of Environmental Protection implemented a pollution discharge permit system which set specific limits on the amount and concentration of each pollutant that may be emitted. Some industries were required to obtain permits by the end of 2016. Other industries will be subject to the guidelines of the plan controlling the implementation of the pollution discharge permit system by the end of 2017 and 2020. Violations of the limits contained in the permit will be subject to penalties ranging from the shutdown of the offending facilities to criminal charges. On January 6, 2017, the Ministry of Environmental Protection published transitional provisions for managing the pollution discharge permit system, clarifying the specific procedures for requesting, delivering and managing permits and the associated time periods.

The Environmental Protection Tax Law was passed on December 25, 2016 by the Standing Committee of The National People's Congress of China. It provides the strongest legal foundation to date for enforcement of environmental protection measures, replacing the pollutants emission fee system which has been in place for almost 40 years. It will also impose higher fees on industry which is the basic incentive for industry to reduce emissions and other polluting activities. On January 2, 2018, the Council of State published two regulations implementing the Environmental Protection Tax Law, effective from January 1, 2018. These regulations present detailed provisions on what is covered by the tax, the taxable base, tax reductions, the tax levy and collection.

On December 26, 2016, four Chinese ministries issued the 13th development plan in five years for energy conservation and environmental protection. This plan will offer greater opportunities for companies with energy conservation and environmental protection technologies, energy performance contracts, water management contracts and environmental pollution governance measures.

On May 28, 2016, the Council of State published an action plan for the prevention and control of soil pollution, requiring a "comprehensive control" of soil risks. Following this action plan, on December 31, 2016 the Environment Minister published administrative measures for the soil environment around polluted land (trial implementation), which entered into effect on July 1, 2017. These administrative measures set out responsibility for treating and restoring polluted soil.

In January 2017, the Council of State published the 13th five-year plan for energy saving and emissions reduction, setting a reduction target of 15% in national energy consumption per RMB10,000 of GDP by 2020 compared with 2015. Total energy consumption will be capped at 5 billion metric tons of standard coal and emissions of volatile organic compounds must be reduced by 10% compared with 2015.

On April 17, 2017, the Ministry for the Environment communicated the 13th five-year plan for developing national environmental protection standards, which will improve these standards and indicate the positive role played by them in improving the quality of the environment preventing environmental risks.

The 2008 Water Pollution Law was also revised by the law of June 28, 2017 adopted by the Standing Committee of The National People's Congress of China, which came into effect on January 1, 2018. This law requires the State to implement a quality control system covering the main pollutant discharges. It also introduces the requirement for a company to hold a discharge permit in order to discharge industrial, medical or any other type of wastewater.

In December 2017, China announced it was preparing a national carbon market. This market will be launched in 2018 for a trial period, followed by an adjustment period in 2019 before its finalization in 2020.

1.6.2 WATER REGULATION

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

At European level, the objective underlying regulation is the availability of drinking water which complies with directives, and a satisfactory chemical, ecological and quantitative status for groundwater and surface water, and a wastewater treatment system that protects the receiving environment.

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

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

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

Directive 2008/105/EC of December 16, 2008, amended by Directive 2013/39 of August 12, 2013, sets out environmental quality standards for 45 priority substances, including priority dangerous substances that present a major risk to the environment or to public health in the water sector. These texts provide for the elimination of priority dangerous substances in 2021 and other dangerous substances in 2028 from continental and coastal surface water.

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

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

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

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

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

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

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

The Grenelle 2 law confirmed the responsibilities of municipalities with regard to the distribution of drinking water and sought to improve knowledge of networks and reduce network losses. The law on the modernization of territorial public action and affirmation of metropolitan areas of January 27, 2014 (known as the "MAPAM" law) gave municipalities and EPCIs (public establishments for cooperation between local authorities) new powers in relation to the management of aquatic environments and the prevention of flooding (known as "GEMAPI"), while at the same time providing them with new tools (taxes and easements). The law on the new territorial organization of the French Republic of August 7, 2015 (the "NOTRE" law) extends the responsibilities of inter-communal associations: from January 1, 2020, water and wastewater treatment will become a mandatory responsibility of all EPCIs. The GEMAPI Law no. 2017-1838 of December 30, 2017 introduces a number of adjustments to this obligation.

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

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

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

Sludge produced at wastewater treatment plants to be used in agriculture must comply with strict traceability regulations in respect of the organic materials and trace metals it is likely to contain (heavy metals such as cadmium, mercury or lead). To be recovered as biogas that is likely to be injected into natural gas networks, it must also comply with a list of authorized inputs.

1.6.3 WASTE REGULATION

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

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

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

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

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

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

In France, the majority of hazardous and non-hazardous waste processing facilities are subject to the regulations governing facilities classified for the protection of the environment (ICPE). A number of decrees and ministerial and administrative orders establish rules applicable to these sites (design, construction, operation, etc.).

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

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

The Grenelle 2 law strengthened and widened the Extended Producer Responsibility (EPR) scheme and specific recovery and associated processing sectors. Finally, it provided 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 Order 2010-1579 of December 17, 2010. This enactment clarified certain definitions, introduced a hierarchy of waste treatment methods (re-use, recycling, recovery and disposal) and clarified the responsibilities of producers and holders of waste.

Chapter 4 of the Law of August 17, 2015 on energy transition for green growth focuses on combating wastage and promoting the circular economy: it amends waste law principles by introducing new objectives with quantified targets into the national waste policy and includes the definition of the circular economy in the major principles of environmental law. It amends the law governing environmental bodies and creates new Extended Producer Responsibility (ERP) sectors. The application texts for these new provisions and particularly those concerning the ERP sectors, were published in 2016 and 2017.

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

1.6.4 ENERGY REGULATION

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

At European level, large combustion plants (with a thermal output of 50 MW or more) are governed from January 1, 2016 by the IED Directive of November 24, 2010 on industrial emissions, which imposes, *inter alia*, the systematic application of Best Available Techniques. Directive 2015/2193 of November 25, 2015 regulating medium combustion plants (*i.e.* with a thermal output of between 1 and 50 MW) set emission caps for certain atmospheric pollutants.

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

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

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

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

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

This continued with the Law of August 17, 2015 on energy transition for green growth which seeks to balance the different energy supply sources in France. Chapter 5 of this law concerns renewable energies and introduces a new purchase contract regime for electricity produced by facilities using renewable energies, while slightly modifying the regime governing anaerobic digestion plants and the law governing hydroelectric concessions. Chapter 8 introduces two major documents for the energy policy: the national low carbon strategy and the energy multi-annual planning document. It modifies the steering and production of electricity and covers energy transition in the territories. Numerous application texts for these new measures were published in 2016 and 2017.

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

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

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

2

SHARE CAPITAL AND OWNERSHIP

Information from the Annual Financial Report is clearly identified in the table of contents by the pictogram AFR

2.1 Information on the share capital and stock market data AFR

2.1.1 SHARE CAPITAL

As of December 31, 2017, Veolia Environnement's share capital was €2,816,824,115, divided into 563,364,823 fully paid-up shares, all of the same class, with a par value of €5 each (see Chapter 2, Section 2.1.6, below).

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

2.1.2 MARKET FOR THE COMPANY'S SHARES

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

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

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

Euronext Paris

	Share price *(in €)*		
Year *(month)*	**High**	**Low**	**Trading volume**
2017			
December	21.620	20.700	36,655,349
November	21.480	20.335	40,298,528
October	20.490	19.390	34,199,024
September	20.150	18.995	38,786,358
August	19.775	18.810	37,642,845
July	19.550	18.370	36,725,627
June	19.860	18.450	53,110,452
May	20.145	17.285	67,224,589
April	17.685	16.775	53,488,564
March	17.560	15.285	66,235,657
February	16.425	15.005	63,191,409
January	16.540	15.025	59,872,650
2016			
December	16.235	15.215	66,733.273
November	19.995	16.075	82,489,307
October	20.500	19.230	32,973,458
September	20.975	19.070	50,236,422
August	20.605	19.065	27,598,041
July	20.070	18.665	32,896,354

Source: Bloomberg.

Following the delisting by Veolia Environnement of its American Depositary Receipts (ADRs) from the New York Stock Exchange (NYSE), the final listing of the ADRs on the NYSE occurred on December 22, 2014. Since this date, the ADRs are traded on the US over-the-counter market under the code VEOEY. The ADR program is managed by Deutsche Bank as a sponsored level 1 facility.

2.1.3 PURCHASE OF TREASURY SHARES BY THE COMPANY(1)

2.1.3.1 Repurchase plan in effect as of the date of filing of this Registration Document (plan authorized by the Combined General Meeting of April 20, 2017)

During the Combined General Meeting of April 20, 2017, the Company's shareholders authorized a share repurchase plan that allows the Company to purchase, sell or transfer its shares at any time, except during a public offer, within the limits authorized by prevailing legal and regulatory provisions, and by any means, on regulated markets, on multilateral trading systems, with systematic internalizers or over the counter, including through block sales or purchases (with no limit on the proportion of the share repurchase plan that may be implemented by this method), by public offers to purchase or exchange shares, or through the use of options or other forward financial instruments traded on regulated markets, multilateral trading systems, with systematic internalizers or concluded over-the-counter or through delivery of shares following the issue of securities granting access to the Company's share capital through conversion, exchange, redemption, exercise of a warrant or otherwise. Transactions may be conducted either directly or indirectly through an investment services provider.

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

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

The Combined General Meeting of April 20, 2017 set the maximum share purchase price at €25 per share and set the maximum amount that the Company may allocate to the share repurchase plan at €1 billion. The General Shareholders' Meeting granted full powers to the Board of Directors, with the option of sub-delegation under the conditions laid down by law, to decide on and implement this authorization.

The authorization described above, which is in force as of the date of filing of this Registration Document, will expire no later than eighteen months from the date of the Combined General Meeting of April 20, 2017, *i.e.*, on October 20, 2018, unless a new plan is authorized at the next General Shareholders' Meeting.

2.1.3.2 Summary of transactions completed by Veolia Environnement in its own securities in 2017

Percentage of the Company's share capital held as treasury shares as of December 31, 2017	2.43%
Number of treasury shares held as of December 31, 2017	13,704,835
Carrying value of the portfolio as of December 31, 2017*	€421,672,965.21
Market value of the portfolio as of December 31, 2017**	€291,570,365
Number of shares canceled over the last 24 months	0

* *Carrying value excluding provisions.*
** *Based on the closing price as of December 31, 2017 (€21.275).*

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

Veolia Environnement signed a 12-month, renewable liquidity agreement taking effect on September 30, 2014, implemented by Rothschild & Cie. €30 million was allocated to the operation of the liquidity account.

The table below details transactions by the Company in treasury shares in 2017 under the program authorized by the Combined General Meeting of April 20, 2017:

	Cumulative gross flows as of December 31, 2017		Open positions as of December 31, 2017			
	Purchases[1]	Sales/ Transfers[2]	Open buy positions		Open sell positions	
			Call options purchased	Forward purchases	Call options sold	Forward sales
Number of shares	6,425,087	7,785,087	None	None	None	None
Average transaction price *(in €)*	19.287	19.234	N/A	N/A	N/A	N/A
Average strike price *(in €)*	N/A	N/A	N/A	N/A	N/A	N/A
AMOUNT *(in €)*	**124,475,539**	**148,331,197**	**N/A**	**N/A**	**N/A**	**N/A**

N/A: not applicable.
(1) Purchases performed under the liquidity agreement.
(2) Sales performed under the liquidity agreement.

2.1.3.3 Objectives of transactions carried out in 2017 and allocation of treasury shares held

As of December 31, 2017, Veolia Environnement held a total of 13,704,835 treasury shares, representing 2.43% of the Company's share capital. No shares were held directly or indirectly by Veolia Environnement subsidiaries. On this date, the portfolio of treasury shares was allocated as follows:

- 5,315,776 shares were allocated to cover stock option programs or other share award programs to Group employees;
- 8,389,059 shares were allocated to external growth transactions.

As of December 31, 2017, Veolia Environnement did not hold any shares under the liquidity agreement established on September 30, 2014.

2.1.3.4 Description of the program submitted to the Combined General Meeting of April 19, 2018 for authorization

The share repurchase authorization described in Section 2.1.3.1 above will expire on October 20, 2018 at the latest, unless the Combined General Meeting of April 19, 2018 approves the resolution adopted in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code and set out below.

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

- this authorization would be intended to allow the Company to trade in its own shares with the following objectives: (i) implementing all Company stock option plans within the scope of the provisions of Articles L. 225-177 *et seq.* of the French Commercial Code or any similar plan, (ii) awarding or selling shares to employees in respect of their profit-sharing plan or the implementation of any company or group savings plan (or equivalent plan) under the conditions provided for by law and in particular Articles L. 3332-1 *et seq.* of the French Labor Code, (iii) awarding free shares under the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code, (iv) in general, honoring commitments relating to stock option plans or other plans involving shares awarded to employees of the issuer or affiliated companies, (v) delivering shares on the exercise of rights attached to securities granting access to the share capital *via* redemption, conversion, exchange, presentation of a warrant, or in any other way, (vi) canceling all or some of the securities thus repurchased, pursuant to the twenty-first resolution adopted by the Combined General Meeting of April 21, 2016 or to any resolution of the same nature that may follow this resolution during the period of validity of the present authorization, (vii) stimulating the secondary market for, or the liquidity of Veolia Environnement shares through an investment services provider, as part of a liquidity contract that complies with the Ethics Charter recognized by the AMF.

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

- purchases of the Company's shares may relate to a number of shares such that:
  - the number of shares purchased by the Company throughout the term of the share repurchase plan, at any time whatsoever, does not exceed 10% of the shares comprising the Company's share capital (this percentage will apply to the share capital, as adjusted in light of transactions affecting it after this General Shareholders' Meeting), *i.e.*, 56,336,482 shares as of the date of filing of this Registration Document, it being specified that (i) the number of shares purchased for retention and subsequent delivery as part of a merger, spin-off or contribution may not exceed 5% of the share capital; and (ii) when shares are bought to increase liquidity under the conditions defined by the AMF's general regulations, the total number of shares taken into account to calculate the aforementioned 10% limit is the number of shares bought, after deduction of the number of shares sold during the period of the authorization,
  - the number of shares that the Company holds at any given time whatsoever does not exceed 10% of the shares comprising the Company's share capital on the date in question;
- shares may be purchased, sold or transferred at any time, within the limits authorized by prevailing legal and regulatory provisions, but not during a public offer, and by any means, particularly on regulated markets, multilateral trading systems, with systematic internalizers or over-the-counter, including by block purchases or sales (with no limit on the proportion of the share repurchase plan that may be implemented by this method), by public offers to purchase or exchange shares, or through the use of options or other forward financial instruments traded on regulated markets, multilateral trading systems, with systematic internalizers or over the counter or through delivery of shares following the issue of securities granting access to the Company's share capital through conversion, exchange, redemption, exercise of a warrant or otherwise. Transactions may be conducted either directly or indirectly through an investment services provider;
- the maximum purchase price of the shares under this resolution will be €30 per share (or the equivalent of this amount on the same date in any other currency); this maximum price is only applicable to acquisitions decided as from the date of the Combined General Meeting of April 19, 2018 and not to future transactions concluded pursuant to an authorization granted by a previous General Shareholders' Meeting that provides for acquisitions of shares subsequent to the date of this meeting.

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

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

This authorization would, as from the date of the Combined General Meeting of April 19, 2018, cancel any as yet unused portion of any prior authorization granted to the Board of Directors to trade in the Company's shares. This authorization is granted for a period of eighteen months from the date of this Combined General Meeting.

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

2.1.4 AUTHORIZED BUT UNISSUED SHARES

2.1.4.1 Authorizations adopted by the Combined General Meeting of April 21, 2016[(1)]

Securities/transactions concerned	Term of authorization and expiry date	Upper limit on the use of the authorization *(in euros and/or as a percentage)*	Use in 2017
Share issues			
Issuances with preferential subscription rights (PSR)* Issuance of all types of securities (Resolution 12)	26 months June 21, 2018	€845 million (par value) representing approximately 30% of the share capital as of the date of the General Meeting (counting towards the overall maximum par value amount of €845 million (hereinafter, the "overall cap"))	None
Issuances with no preferential subscription rights (PSR)* Issuance of all types of securities by public offer – mandatory priority subscription period (Resolution 13)	26 months June 21, 2018	€281 million (par value) representing approximately 10% of the share capital as of the date of the General Meeting (counting towards the overall cap)	None
Issuances with no preferential subscription rights (PSR)* Issuance of all types of securities, by way of private placement (Resolution 14)	26 months June 21, 2018	€281 million (par value) representing approximately 10% of the share capital as of the date of the General Meeting (counting towards the par value upper limit of €281 million for share capital increases without PSR and towards the overall cap)	None
Issuances of securities as payment for contributions in kind* (Resolution 15)	26 months June 21, 2018	10% of the share capital (counting towards the par value upper limit of €281 million for share capital increases without PSR and towards the overall cap)	None
Increase in the number of securities in the event of share capital increases with or without preferential subscription rights (*green shoe option*)* (Resolution 16)	26 months June 21, 2018	Extension by no more than 15% of a share capital increase performed with or without PSR (additional issuance counting towards the upper limit of the relevant resolution with or without PSR and towards the overall cap, and where applicable, towards the par value upper limit of €281 million for share capital increases without PSR)	None
Share capital increase through the capitalization of premiums, reserves, profits or other items* (Resolution 17)	26 months June 21, 2018	€400 million (par value) representing approximately 14.2% of the share capital as of the date of the General Meeting (this par value maximum amount counting towards the overall cap)	None
Share issues reserved for Group employees and executives			
Issuances reserved for members of employee savings plans with cancellation of preferential subscription rights* Share capital increase by issuing shares or securities granting access to the Company's share capital (Resolution 18)	26 months June 21, 2018	€56,336,482 (par value) representing approximately 2% of the share capital as of the date of the General Meeting (this amount counting towards the overall cap)	None
Share capital reduction by cancellation of shares			
Share capital reduction by cancellation of treasury shares (Resolution 21)	26 months June 21, 2018	10% of the share capital within any 24-month period	None

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

2.1.4.2 Authorizations adopted by the Combined General Meeting of April 20, 2017[(2)]

Securities/ transactions concerned	Term of authorization and expiry date	Upper limit on the use of the authorization *(in euros and/or as a percentage)*	Used in 2017
Share repurchase program Except during a public offer period (Resolution 12)	18 months October 20, 2018	€25 per share, up to a limit of 56,336,482 shares and €1 billion; the Company may not hold more than 10% of its share capital	**Treasury shares** As of December 31, 2017, the Company held 13,704,835 shares, valued based on the closing share price as of December 31, 2017 (€21.275) at €291,570,365 **Movements in the liquidity contract** 6,425,087 shares purchased and 7,785,087 shares sold. As of December 31, 2017, no shares are held under the liquidity contract (see Section 2.1.3 *above*)

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

(2) Only authorization adopted by the Combined Shareholders' Meeting of April 20, 2017 still in effect as of the date of filing of this Registration Document.

2.1.4.3 Authorizations proposed to the Combined General Meeting of April 19, 2018

Securities/transactions concerned	Term of authorization and expiry date	Upper limit on the use of the authorization *(in € and/or as a percentage)*
Share repurchases		
Share repurchase program Except during a public offer period (Resolution 12)	18 months October 19, 2019	€30 per share, up to a limit of 56,336,482 shares and €1 billion; the Company may not hold more than 10% of its share capital
Share issues		
Issuances with preferential subscription rights (PSR)* Issuance of all types of securities (Resolution 13)	26 months June 19, 2020	€845 million (par value) representing approximately 30% of the share capital as of the date of the General Meeting (counting towards the overall maximum par value amount of €845 million (hereinafter, the "overall cap"))
Issuances with no preferential subscription rights (PSR)* Issuance of all types of securities by public offer – mandatory priority subscription period (Resolution 14)	26 months June 19, 2020	€281 million (par value) representing approximately 10% of the share capital as of the date of the General Meeting (counting towards the overall cap)
Issuances with no preferential subscription rights (PSR)* Issuance of all types of securities, by way of private placement (Resolution 15)	26 months June 19, 2020	€281 million (par value) representing approximately 10% of the share capital as of the date of the General Meeting (counting towards the par value upper limit of €281 million for share capital increases without PSR and towards the overall cap)
Issuances of securities as payment for contributions in kind* (Resolution 16)	26 months June 19, 2020	10% of the share capital (counting towards the par value upper limit of €281 million for share capital increases without PSR and towards the overall cap)
Increase in the number of securities in the event of share capital increases with or without preferential subscription rights (green shoe option)* (Resolution 17)	26 months June 19, 2020	Extension by no more than 15% of a share capital increase performed with or without PSR (additional issuance counting towards the upper limit of the relevant resolution with or without PSR and towards the overall cap, and where applicable, towards the par value upper limit of €281 million for share capital increases without PSR)
Share capital increase through the capitalization of premiums, reserves, profits or other items* (Resolution 18)	26 months June 19, 2020	€400 million (par value) representing approximately 14.2% of the share capital as of the date of the General Meeting (this par value maximum amount counting towards the overall cap)
Share issues reserved for Group employees and executives		
Issuances reserved for members of employee savings plans with cancellation of preferential subscription rights* Share capital increase by issuing shares or securities granting access to the Company's share capital (Resolution 19)	26 months June 19, 2020	€56,336,482 (par value) representing approximately 2% of the share capital as of the date of the General Meeting (this amount counting towards the overall cap)
Issuances reserved for employees with cancellation of preferential subscription rights*/** Share capital increase reserved for a category of beneficiaries (Resolution 20)	18 months October 19, 2019	€5,633,648 (par value) representing approximately 0.2% of the share capital as of the date of the General Meeting (this amount counting towards the overall cap)
Authorization granted to the Board of Directors to issue free shares, existing or to be issued, to employees and corporate officers of the Group, with waiver by shareholders of their preferential subscription rights (Resolution 21)	18 months October 19, 2019	0.5% of the share capital as of the date of the General Meeting, subject to the following sub-ceilings:(1) 0.4% of the share capital for performance shares granted to corporate officers of the Company and certain employees of the Company or the Group and(2) 0.1% for free shares, not subject to performance conditions, granted to all employees of the Company and French Group companies
Share capital reduction by cancellation of shares		
Cancellation of treasury shares (Resolution 22)	26 months June 19, 2020	10% of the share capital within any 24-month period

* *The total par value amount of share capital increases that may be carried out pursuant to this resolution will count towards the overall cap of €845 million set forth in the thirteenth resolution presented to the Combined General Meeting of April 19, 2018.*

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

2.1.5 OTHER SECURITIES GRANTING ACCESS TO THE SHARE CAPITAL

Potential dilutive effect of stock options and share subscription warrants

On September 28, 2010, the Company granted 2,462,800 share subscription options to Group executives and employees (Plan No. 8). The exercise of these options was subject to a performance condition that was not attained. As of December 31, 2017, 2,127,400 share subscription options remain outstanding. Accordingly, except in the event of a public offer for the Company's shares, these outstanding share subscription options as of December 31, 2017 are not exercisable and do not generate any potential dilution (see Chapter 7, Section 7.4.3.1 below).

Potential dilutive effect of bonds convertible into and/or exchangeable for new and/or existing shares

See Section 2.1.7 below.

2.1.6 CHANGES IN SHARE CAPITAL OVER THE LAST FIVE FISCAL YEARS

The table below shows the changes in the Veolia Environnement share capital since the start of fiscal year 2013:

Meeting date	Transaction	Number of shares issued	Par value of the shares *(in €)*	Par value amount of the share capital increase *(in €)*	Issue or contribution premiums *(in €)*	Total share capital *(in €)*	Total number of shares
05/14/2013 (recorded by the Chairman and Chief Executive Officer on 06/12/2013)	Share capital increase resulting from the payment of scrip dividends	26,788,859	5	133,944,295	94,028,895.09	2,744,378,540	548,875,708
04/24/2014 (recorded by the Chairman and Chief Executive Officer on 05/26/2014)	Share capital increase resulting from the payment of scrip dividends	13,426,093	5	67,130,465	107,543,004.93	2,811,509,005	562,301,801
04/24/2014 (recorded by the Chairman and Chief Executive Officer on 12/17/2015)	Share capital increase reserved for employees (Group savings plan)	1,063,022	5	5,315,110	12,288,534.32	2,816,824,115	563,364,823

2.1.7 NON-EQUITY SECURITIES

EMTN program

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

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

The main outstanding bond issues performed under the EMTN program as of December 31, 2017 are as follows:

Issue date	Currency	Nominal issue amount *(in millions of currency units)*	Additional drawdowns/partial repurchases	Nominal amount outstanding as of December 31, 2017 *(in millions of currency units)*	Interest rate	Maturity
May 28, 2003	EUR	750				
March 2012	EUR		(130)			
June 2013	EUR		(129)			
December 2013	EUR		(19)	472	5.375%	May 28, 2018
November 25, 2003	EUR	700		700	6.125%	November 25, 2033
December 12, 2005	EUR	600				
June 2013	EUR		(109)			
December 2013	EUR		(60)	431	4.375%	December 11, 2020
May 24, 2007	EUR	1,000				
December 2013	EUR		(150)			
April 2015	EUR		(205)	645	5.125%	May 24, 2022
October 29, 2007	GBP	500				
January 7, 2008	GBP		150	650	6.125%	October 29, 2037
April 24, 2009	EUR	750				
November 2014	EUR		(175)			
April 2015	EUR		(113)	462	6.75%	April 24, 2019
July 6, 2010	EUR	834				
April 2015	EUR		(196)	638	4.247%	January 6, 2021
March 30, 2012	EUR	750		750	4.625%	March 30, 2027
April 9, 2015	EUR	500		500	1.59%	January 10, 2028
October 4, 2016	EUR	600		600	0.314%	October 4, 2023
October 4, 2016	EUR	500		500	0.927%	January 4, 2029
March 30, 2017	EUR	650		650	0.672%	March 30, 2022
March 30, 2017	EUR	650		650	1.496%	November 30, 2026
November 21, 2017	EUR	500		500	0%	November 23, 2020

As of December 31, 2017, the total nominal amount outstanding under the EMTN program was €8,231 million, including €7,759 million maturing in more than one year.

Offering of bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)

On March 8, 2016, Veolia Environnement completed an offering of bonds convertible and/or exchangeable for new and/or existing shares ("OCEANEs") maturing March 15, 2021 by way of a private placement without shareholders' preferential subscription rights, of a nominal amount of approximately €700 million. The bonds will not bear interest and the issue price was set at 102.75% of par, corresponding to an annual gross yield to maturity of -0.54%. The bonds have a nominal unit value of €29.99 representing a premium of 47.5% above the Company's reference share price on the issue date.

As of December 31, 2017, the total nominal outstanding amount was approximately €700 million and will mature in more than one year.

Public issue on the US market

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

As of December 31, 2017, the total nominal outstanding amount was US$400 million (€334 million euro-equivalent) and will mature in more than one year.

Bond issue program on the Chinese domestic market (Panda Bonds)

On August 16, 2016, Veolia Environnement filed with the National Association of Financial Market Institutional Investors, a bond issue program on the Chinese domestic market for a period of two years and a maximum nominal amount of 15 billion renminbi.

Under this program, Veolia Environnement performed a one billion renminbi bond issue on September 1, 2016, through a private placement with Chinese and institutional investors. The bond issue matures on September 2, 2019 and pays a coupon of 3.5%.

As of December 31, 2017, the total nominal outstanding amount was one billion renminbi (€128 million euro-equivalent) and will mature in more than one year.

Commercial paper

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

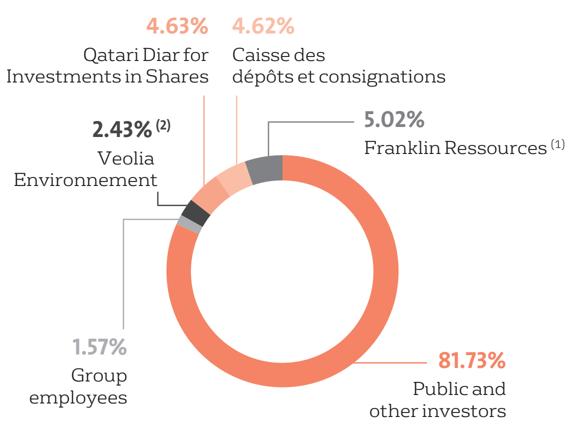
As of December 31, 2017, the total outstanding amount of commercial paper issued by the Company was €3,492 million.

For further details, please refer to Chapter 4, Section 4.2, Note 8 to the consolidated financial statements, below.

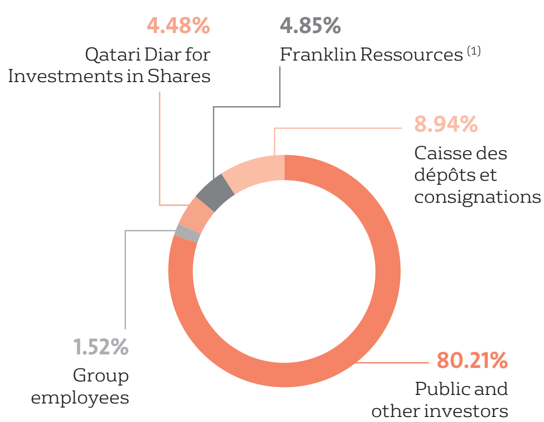
2.2 Veolia Environnement shareholders AFR

2.2.1 BREAKDOWN OF SHAREHOLDERS AS OF DECEMBER 31, 2017

Breakdown of shareholders (number of shares)



Breakdown of shareholders (voting rights available for exercise)



(1) Based on the most recent declaration of threshold crossing filed by Franklin Resources, Inc., on its own behalf and that of its affiliates, dated December 8, 2017 (AMF Decision and Information no. 217C2879 of December 8, 2017).

(2) Treasury shares without voting rights.

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

The table below presents the number of shares and the corresponding percentage of share capital and voting rights held as of December 31, 2017 by Veolia Environnement's principal known shareholders, and changes in the Company's principal shareholders (holding more than 4% of the Company's share capital, directly or indirectly), during the last three years[(1)].

A double voting right was introduced on April 3, 2016 for shares held in registered form by the same shareholder for at least two years, in accordance with the Florange law of March 29, 2014 (see Chapter 8, Section 8.1.9, below).

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

	Position as of December 31, 2017					Position as of December 31, 2016			Position as of December 31, 2015		
Shareholder	Number of shares	% of share capital	Theoretical number of voting rights	Number of voting rights that may be exercised	% of voting rights that may be exercised*	Number of shares	% of share capital	% of voting rights that may be exercised*	Number of shares	% of share capital	% of voting rights that may be exercised*
Franklin Resources[(1)]	28,282,109	5.02	28,282,109	28,282,109	4.85	-	-	-	-	-	-
QD For Investment in Shares (QDFIS)**[(2)]	26,107,208	4.63	26,107,208	26,107,208	4.48	26,107,208	4.63	4.30	26,107,208	4.63	4.76
Caisse des Dépôts[(3)]	26,036,119[(4)]	4.62	52,072,238	52,072,238	8.94	26,036,119	4.62	8.58	48,570,712	8.62	8.84
Groupe industriel Marcel Dassault – GIMD[(5)]	ND	ND	ND	ND	ND	25,788,732	4.58	8.50	26,788,732	4.75	4.87
Veolia Environnement[(6)]	13,704,835	2.43	13,704,835	0***	0***	15,064,835	2.67	0	13,797,975	2.45	0
Public and other investors	469,234,552	83.30	476,281,358	476,281,358	81.73	470,367,929	83.50	78.62	448,100,196	79.55	81.54

* *The percentage voting rights that may be exercised is identical to theoretical percentage voting rights.*
** *On April 6, 2017, Velo Investissement sold its entire shareholding of 26,107,208 shares to QD For Investment in Shares, as part of an inter-company transaction (AMF return no. 2017DD471993 of April 7, 2017).*
*** *As of December 31, 2017, Veolia Environnement held 13,704,835 treasury shares.*
ND: Not Determined
(1) According to the most recent declaration of threshold crossing declaration by Franklin Resources, Inc., for itself and its associates, dated December 8, 2017 (AMF Decision and Information no. 217C2879 of December 8, 2017).
(2) According to the analysis of the Company's shareholders as of December 31, 2017.
(3) According to the statement of registered shareholders as of December 31, 2017 prepared by Société Générale and the analysis of the Company's shareholders as of December 31, 2017. To the best of the Company's knowledge, the most recent declaration of threshold crossing by Caisse des dépôts et consignations was filed on September 23, 2016 (AMF Decision and Information no. 216C2179 of September 26, 2016).
(4) Shares held in registered form for more than two years.
(5) Groupe Industriel Marcel Dassault changed its entire shareholding from registered to bearer form on March 1, 2017.
(6) Treasury shares without voting rights. This information is included in the monthly report of transactions carried out by Veolia Environnement in its own shares that was filed with the French Financial Markets Authority (AMF) on January 11, 2018.

To the best of the Company's knowledge, there are no other agreements between one or more of the Company's shareholders or any provision in a shareholders' agreement or agreement to which the Company is a party that could have a material impact on the Company's share price, and there are no shareholders' agreements or other agreements of such nature to which any significant non-listed subsidiary of the Company is a party, other than the call options entered into with EDF, described in Chapter 4, Section 4.1 (Note 3.3.1 to the consolidated financial statements) and Chapter 8, Section 8.3.

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

(1) Figures taken from the 2017, 2016 and 2015 Registration Documents.

2.3 Dividend policy

2.3.1 DIVIDENDS PAID DURING THE LAST FIVE FISCAL YEARS

(in €)	2012 Dividend	2013 Dividend	2014 Dividend	2015 Dividend	2016 Dividend
Gross dividend per share	0.70	0.70	0.70	0.73	0.80
Net dividend per share	0.70*	0.70*	0.70*	0.73*	0.80*
TOTAL DIVIDEND DISTRIBUTION**	355,494,245	374,246,447	383,952,678	401,183,799	439,772,185

* *Dividends eligible for the 40% tax rebate.*
** *Amounts paid by the Company.*

A dividend payment of €0.80 per share for each of the Company's outstanding shares carrying dividend rights as of January 1, 2017 was approved by the Combined General Meeting of April 20, 2017. The ex-dividend date was set at April 24, 2017 and the dividend was paid from April 26, 2017. As of December 31, 2016, the share capital comprised 563,364,823 shares, including 15,064,835 treasury shares. The total dividend distribution was adjusted to take account of the number of treasury shares held by Veolia Environnement at the payment date.

A dividend of €0.84 per share for 2017, payable in cash, will be proposed to the Combined General Meeting of April 19, 2018. The ex-dividend date has been set at May 14, 2018 and the 2017 dividend will be paid from May 16, 2018.

For individual shareholders who are French tax residents, a mandatory flat-rate levy of 12.8% will be deducted as payment on account for income tax due in 2019 on 2018 income. This levy will however not be applied to taxpayers whose reference taxable income is less than €50,000 for a single person or €75,000 for couples, if they request exemption in advance.

Social security contributions on dividends paid to private individual shareholders tax resident in France are subject to withholding tax deducted by the paying agent at a rate of 17.2%.

The definitive tax liability for dividends paid by Veolia Environnement will be determined based on information reported in the income tax return filed in the year following receipt of the dividends.

Whether paid in cash or shares, dividends are liable to a flat-rate tax of 12.8% (giving a total tax rate of 30% including social security contributions). Social security contributions are not deductible from income tax.

A taxpayer may make a global election to include dividends in income taxable at the progressive income tax scale. They will therefore be taxed after a 40% deduction. Under this option, social security contributions are deductible from taxable income in the amount of 6.8%.

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

2.3.2 DIVIDEND POLICY

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

2.3.3 PERIOD DURING WHICH DIVIDEND PAYMENTS MUST BE CLAIMED

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

3

OPERATING AND FINANCIAL REVIEW AFR

Information from the Annual Financial Report is clearly identified in the table of contents by the pictogram AFR

3.1 Major events of the period

3.1.1 GENERAL CONTEXT

The Group's performance for the year ended December 31, 2017 was marked mainly by:

- strong revenue growth: +4.9% at constant exchange rates (+3.5% like-for-like) to €25,124.6 million:
  - acceleration of revenue growth in the fourth quarter: +6.3% at constant exchange rates (+4.4% like-for-like),
  - improvement in France,
  - continued strong growth outside France, with an acceleration in the Rest of the world,
  - stabilization in Global businesses, with a strong increase in hazardous waste and an improvement in construction, particularly in the fourth quarter;
- better-than-expected results growth, with a sharp acceleration in the second half of the year:
  - EBITDA of €3,284.1 million, up +2.7% at constant exchange rates (+0.4% in the first half, followed by +4.8% in the third quarter and +5.2% in the fourth quarter),
    - strong revenue growth,
    - cost savings of €255 million, in line with the annual objective,
    - weak price indexation,
    - higher transitory costs and non-recurrence of 2016 favorable one offs,
  - current EBIT of €1,519.4 million, up 5.3% at constant exchange rates,
  - current net income of €623 million, up 6.1% at constant exchange rates and 7.3% excluding net capital gains or losses on financial divestitures,
  - net free cash flow (after growth capex) of +€655 million,
  - stable net financial debt of €7,841 million.

3.1.2 CHANGES IN GROUP STRUCTURE

2017 was marked by strong commercial and development momentum, reflected in targeted acquisitions and large, promising contracts awarded during the year.

Main contracts awards

The strong commercial momentum enjoyed by the Group in 2016 continued, with Veolia signing several major contracts in 2017. The following contracts are particularly noteworthy:

- in the municipal market, Veolia, through its subsidiary Proactiva Medio Ambiente SA de CV was awarded a contract to design, build, and operate Latin America's largest waste-to-energy facility, located in Mexico (30-year contract representing cumulative revenue of €886 million). In England, Veolia ES UK Ltd Veolia was awarded a recycling and waste services contract spanning four South London boroughs (8-year contract representing £209 million). In France, the Group was awarded a public service delegation contract through its subsidiaries for the operation of a waste-to-energy (WTE) plant in the Lille metropolitan area (12-year contract representing cumulative revenue of €295 million), as well as the upstream Seine water treatment contract in Ile de France (12-year contract representing cumulative revenue of €400 million) and the renewal of the WTE facility operations contract in Reims (9 year contract representing cumulative revenue of €95 million). In Asia, the Group won a contract for the construction of water treatment and distribution facilities in the Greater Matale region of Sri Lanka (contract of €156 million). In addition, after seeing its contract renewed for 5 years on March 1, 2017, the Gabon Energy and Water Company (SEEG: Société d'Energie et d'Eau du Gabon), a 51% subsidiary of Veolia, was the object of an expropriation action by the Gabonese government on February 16, 2018 (see section 7 Subsequent events);
- in the industrial market, Veolia notably won three energy services contracts in China for a total of €864 million: an energy performance management contract at the Hongda Chemical site (10-year contract representing revenue of €335 million), a chilled water plant construction and operation contract at a Beijing data center (20-year contract representing revenue of €188 million), and a contract to produce electricity and steam from biomass for chemicals and construction clients (25-year contract representing revenue of €341 million). In Australia, Veolia Water Australia Pty Ltd was awarded a 15-year contract to build and operate a wastewater treatment plant for the Springvale mine and Mount Piper Power Station (revenue of AUD400 million). In the United States, the Group will use its expertise to assist Antero Resources in the collection, packaging and proper disposal of sludge generated by its West Virginia industrial site (10-year contract of US$70 million).

Acquisitions

Enovity

On January 9, 2017, Veolia Energy North America Holdings Inc. acquired Enovity, an energy services consulting company based in San Francisco, for an enterprise value of €26 million.

Uniken

On February 28, 2017, Veolia completed the acquisition of Uniken, a specialist in industrial and hazardous waste processing located in the Ulsan region in Korea, for an enterprise value of €66 million.

Eurologistik

Veolia Umweltservice GmbH acquired the Eurologistik group, a specialist in waste collection and recycling and the production of solid refuse derived fuel, operating in Northern and Eastern Germany. The acquisition was completed on September 11, 2017 for an enterprise value of €40 million.

Corvara and Hans Andersson

The Group strengthened its presence in Sweden with the acquisition through the company Veolia Sweden AB of Corvara's industrial cleaning business (September 1, 2017) and through the company Veolia Nordic AB the acquisition of a recycling specialist, the Hans Andersson Group (August 31, 2017) for an enterprise value of €42 million and €101 million, respectively.

Van Scherpenzeel Groep B.V.

In the Netherlands, Veolia Nederland Grondstof Beheer B.V. acquired Van Scherpenzeel Groep, which specializes in plastic waste and paper recycling (November 1, 2017), for an enterprise value of €56 million.

Divestitures

Affinity Water

On May 19, 2017 Veolia Water UK Ltd sold its investment in the Affinity Water activity (regulated water) in the UK for €40 million.

Energy services for buildings in Sweden

On August 31, 2017, at the same time as the acquisitions of Hans Andersson and the industrial cleaning activities of Corvara, Veolia Nordic AB sold its facilities management activities for €56 million, net of disposal costs, thereby refocusing the Group's Swedish activities on its areas of expertise.

3.1.3 GROUP FINANCING

Bond issues for €1.8 billion

As part of its refinancing, Veolia Environnement issued €1.3 billion in bonds in March 2017. This issuance breaks down into two €650 million tranches, the first maturing in March 2022 (5-year maturity) bearing a coupon of 0.672% and the second maturing in November 2026 (short 10-year maturity) bearing a coupon of 1.496%. Both bonds were issued at par.

In November 2017, Veolia Environnement successfully issued €500 million in bonds maturing in November 2020 (three years) with a zero coupon and a negative yield of -0.026%.

The proceeds of these issuances will be used for general corporate purposes.

Changes in bonds outstanding

Veolia Environnement repaid at maturity a euro-denominated bond line with a nominal value of €606 million on January 16, 2017, a euro-denominated bond line with a nominal value of €350 million on May 19, 2017, a euro-denominated bond line with a nominal value of €250 million on June 28, 2017 and a Chinese renminbi-denominated bond line with a nominal value of €65 million (euro equivalent) on June 29, 2017.

Confirmation of the credit outlook

In June 2017, S&P and Moody's confirmed Veolia Environnement's credit rating as A-2/BBB with a stable outlook and P-2/Baa1 also with a stable outlook.

Dividend payment

The Combined General Meeting of April 20, 2017 set the dividend for fiscal 2016 at €0.80 per share. This dividend was paid in cash beginning April 26, 2017 for a total amount of €440 million.

3.1.4 CHANGES IN GOVERNANCE

Veolia Environnement Combined Shareholders' Meeting of April 20, 2017

The Veolia Environnement Combined Shareholders' Meeting took place at the Maison de la Mutualité in Paris on April 20, 2017, chaired by Mr. Antoine Frérot, Chairman and Chief Executive Officer of the Company. At the meeting, shareholders approved all the resolutions on the agenda.

In particular, shareholders:

- approved the Company and consolidated financial statements for fiscal year 2016;
- set the cash dividend for fiscal year 2016 at €0.80 per share. The shares went ex-dividend on April 24, 2017 and the dividend was paid from April 26, 2017;
- renewed the terms of office as directors of Caisse des dépôts et consignations, represented by Mr. Olivier Mareuse, Mrs. Marion Guillou and Mr. Paolo Scaroni for a four-year period expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2020;
- renewed the term of office of ERNST & YOUNG et Autres as principal statutory auditor for a period of six fiscal years, expiring in 2023 at the end of the General Shareholders' Meeting called to approve the financial statements for year ending December 31, 2022;
- gave a favorable opinion on the compensation due or attributed for fiscal year 2016 to Mr. Antoine Frérot;
- approved the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of total compensation and benefits of all kinds that may be awarded to the Chairman and Chief Executive Officer in respect of fiscal year 2017;
- amended the provisions of Article 12 of the Articles of Association regarding the term of office of the Vice-Chairman.

After this Combined Shareholders' Meeting, Veolia Environnement's Board of Directors consists of seventeen directors, including two directors representing employees and six women (40%[1]), as well as two non-voting members (*censeurs*):

- Mr. Antoine Frérot, Chairman and Chief Executive Officer;
- Mr. Louis Schweitzer, Vice-Chairman and Senior Independent Director;
- Mrs. Homaira Akbari;
- Mr. Jacques Aschenbroich;
- Mrs. Maryse Aulagnon;
- Mr. Daniel Bouton;
- Caisse des dépôts et consignations, represented by Mr. Olivier Mareuse;
- Mrs. Isabelle Courville;
- Mrs. Clara Gaymard;
- Mrs. Marion Guillou;
- Mr. Baudouin Prot;
- Qatari Diar Real Estate Investment Company, represented by Mr. Nabeel Mohammed Al-Buenain who replaced Mr. Khaled Al Sayed from March 30, 2017;
- Mrs. Nathalie Rachou;
- Mr. Paolo Scaroni;
- Mr. Guillaume Texier;
- Mr. Pavel Páša, Director representing employees;
- Mr. Pierre Victoria, Director representing employees;
- Mr. Paul-Louis Girardot, non-voting member (*censeur*);
- Mr. Serge Michel, non-voting member (*censeur*).

(1) *Excluding Directors representing employees.*

Following the meeting the four Board Committees were comprised as follows:

- Accounts and Audit Committee: Mr. Daniel Bouton (Chairman), Mrs. Homaira Akbari, Mr. Jacques Aschenbroich, Mrs. Nathalie Rachou and Mr. Pierre Victoria (Director representing employees);
- Nominations Committee: Mr. Louis Schweitzer (Chairman), Mrs. Maryse Aulagnon and Mr. Paolo Scaroni;
- Compensation Committee: Mr. Louis Schweitzer (Chairman), Mrs. Maryse Aulagnon, Mr. Daniel Bouton, Mrs. Clara Gaymard, Mrs. Marion Guillou and Mr. Pierre Victoria (Director representing employees);
- Research, Innovation and Sustainable Development Committee: Mr. Jacques Aschenbroich (Chairman), Mrs. Isabelle Courville, Mrs. Clara Gaymard, Mrs. Marion Guillou, Mr. Pavel Páša (Director representing employees) and Mr. Guillaume Texier.

Appointments to the Board of Directors on November 6, 2017

During its meeting of November 6, 2017, the Veolia Board of Directors made new appointments to the functions of Senior Independent Director, Chair of the Compensation Committee, and Chair of the Audit Committee. Accordingly:

- Mrs. Maryse Aulagnon has been appointed Senior Independent Director and Chairman of the Compensation Committee;
- Mrs. Nathalie Rachou was appointed Chairman of the Audit Committee.

The composition of the Committees has not changed with the exception of the Audit Committee, which has welcomed an additional member, Mrs. Isabelle Courville.

Proposal for the renewal of the term of office of Mr. Frérot

Meeting on February 21, 2018, Veolia's Board of Directors decided to propose to the General Shareholders' Meeting that Antoine Frérot be re-elected as Chairman and Chief Executive Officer of the Veolia Group for a further four-year term. The General Meeting of Veolia will take place on April 19, 2018.

3.2 Accounting and financial information

3.2.1 PREFACE

Lithuania

As of December 31, 2017, the ongoing withdrawal from Lithuania, motivated by the end of a major contract and the sales process for other activities, led the Group to transfer its Lithuanian activities to discontinued operations in accordance with IFRS 5.

In order to ensure the comparability of periods, the accounts for the year ended December 31, 2016 have been adjusted for the reclassification of the Group's activities in Lithuania to "Net income (loss) from discontinued operations" pursuant to IFRS 5.

3.2.2 KEY FIGURES

(in € million)	Year ended December 31, 2016 excluding I12	Year ended December 31, 2016 re-presented	Year ended December 31, 2017	Variations 2016/2017 Δ	Δ at constant exchange rates
Revenue	**24,390.2**	**24,187.0**	**25,124.6**	**3.9%**	**4.9%**
EBITDA	**3,056.0**	**3,219.4**	**3,284.1**	**2.0%**	**2.7%**
EBITDA Margin	12.5%	13.3%	13.1%		
Current EBIT[1]	**1,383.9**	**1,460.2**	**1,519.4**	**4.1%**	**5.3%**
Current net income – Group share	**609.8**	**596.6**	**622.6**	**4.4%**	**6.1%**
Current net income – Group share, excluding capital gains and losses on financial divestitures net of tax	597.0	583.8	616.1	5.5%	7.3%
Net Income – Group share	**382.2**	**383.1**	**401.6**	**4.8%**	**7.5%**
Current net income – Group share – earnings per share (basic)[2]	1.11	1.09	1.13		
Dividend per share	**0.80**	**0.80**	**0.84**[3]		
Industrial investments	1,484.6	1,596.6	1,738.0		
Net free cash flow[2]	969.6	940.3	655.0		
Net financial debt	**(7,811.1)**	**(7,812.1)**	**(7,841.0)**		

(1) Including the share of current net income of joint ventures and associates viewed as core Company activities.
(2) The indicators are defined in Section 3.10.3.
(3) Subject to the approval at the General Shareholders' Meeting on April 19, 2018.

The main foreign exchange impacts were as follows:

FX impact Year ended December 31, 2017 (*vs* Year ended December 31, 2016 re-presented)	%	*(in € million)*
Revenue	-1.1%	(256.8)
EBITDA	-0.6%	(20.8)
Current EBIT	-1.2%	(17.5)
Current net income	-1.8%	(10.5)
Net financial debt	-3.5%	(271)

Group consolidated revenue

Group consolidated revenue for the year ended December 31, 2017 increased 4.9% at constant exchange rates to €25,124.6 million, compared with a re-presented €24,187.0 million for year ended December 31, 2016. Excluding Construction[1] revenue and energy price effects, revenue also improved by +4.9% compared with +2.0% in 2016.

As in the first three quarters of 2017, revenue growth was marked by favorable dynamics throughout all of the zones in the fourth quarter.

Variations at constant exchange rates	1st quarter 2017	2nd quarter 2017	3rd quarter 2017	4th quarter 2017
France	-1.5%	-0.4%	-0.3%	1.9%
Europe, excluding France	7.2%	4.4%	8.1%	6.1%
Rest of the world	11.8%	10.8%	9.4%	14.2%
Global businesses	-3.2%	1.7%	-2.7%	1.9%
GROUP	4.5%	4.4%	4.3%	6.3%

By segment, the change in revenue compared with re-presented figures for the year ended December 31, 2016 breaks down as follows:

			2016/2017 change		
(in € million)	Year ended December 31, 2016 re-presented	Year ended December 31, 2017	Δ	Δ at constant exchange rates	Δ at constant scope and exchange rates
France(*)	5,417.7	5,414.5	-0.1%	-0.1%	1.8%
Europe, excluding France	8,083.1	8,504.4	5.2%	6.4%	3.9%
Rest of the world	6,028.4	6,618.6	9.8%	11.6%	6.7%
Global businesses	4,626.2	4,558.3	-1.5%	-0.4%	0.6%
Other	31.6	28.8	-	-	-
GROUP	24,187.0	25,124.6	3.9%	4.9%	3.5%

(*) Like for like +1.8% versus -0.1% at constant fx (including the disposal of Bartin).

- revenue increased in **France** by +1.8% at constant scope (-0.1% at current consolidation scope) compared with re-presented figures for the year ended December 31, 2016: Water revenue progressed by +0.5%, while Waste revenue increased 3.5% at constant scope (-0.7% at current consolidation scope):
  - water revenue, at €2,945.6 million, rose slightly by +0.5% compared with re-presented figures ending December 31, 2016, impacted by higher volumes (+1.0%) and tariff indexation (+0.2%), partially offset by negative commercial impacts (-€16 million),
  - waste revenue declined slightly by -0.7% compared with re-presented figures ending December 31, 2016, but excluding the impact of the sale of Bartin Recycling on November 30, 2016, grew 3.5% at constant consolidation scope to €2,468.9 million. Continued commercial momentum (14% portfolio increase with significant contract wins, including the Nancy contract) was accompanied by increased landfill volumes (+1.3%), good trends in sorting and recycling and commercial collection, as well as higher paper prices (+10%);
- **Europe excluding France** (excluding Lithuania which is classified in discontinued operations) grew +6.4% at constant exchange rates compared to the re-presented prior-year period, with solid momentum in the majority of regions:
  - in the United Kingdom/Ireland, combined revenue increased by +5.2% at constant exchange rates to €2,124.5 million, with a good performance in waste: revenue of €1,750 million, up 5.1% at constant exchange rates, including an increase in volumes (+1.6%, especially in commercial collection and landfill), solid PFI performance (+6% rise in volumes combined with a +1% price increase), and good commercial momentum – positive impact of new Waste contracts in 2016 and 2017 (St Albans, South West London), increased Construction activity, and higher recyclate prices (paper +20%),
  - in Central and Eastern Europe, revenue stood at €2,894.9 million, up +7.9% at constant exchange rates compared to re-presented figures for the year ended December 31, 2016. Growth was driven by:
    - in Energy, an increase in heating and electricity volumes sold in Poland (+€68 million), a weather impact that was negative in the fourth quarter but slightly favorable for the full year in Poland, Romania and Slovakia (+€10 million) and the impact of recent Group developments: Prague Left Bank (+€20 million);

(1) Construction revenue encompasses the Group's engineering and construction activities (mainly through Veolia Water Technologies and SADE), as well as construction completed as part of operating contracts.

- in Water: a rise in water volumes invoiced (+1.8%) and particularly the new contract in Armenia deployed across the country;
- in Waste, through minor acquisitions;

• in Northern Europe, revenue increased +7.2% at constant exchange rates compared with the re-presented prior year period to €2,490.1 million. Germany, the main contributor (€1,797.5 million) benefited from the strong growth in Waste activities with revenue of €1,045 million due to higher recyclate prices, (paper +12.3%; PET +11.2%), and the increase in volumes (+€12 million). In addition, the consolidation of the Hans Andersson activities and those of the industrial cleaning Swedish firm Corvara in 2017 boosted revenue (+€81 million);

- the **Rest of the world** segment posted quite strong revenue growth of +11.6% at constant exchange rates compared to re-presented figures for the year ended December 31, 2016, with a sharp improvement in the fourth quarter of +14.2% at constant exchange rates, versus +9.4% for the third quarter of 2017:

• revenue rose +10.3% at constant exchange rates to €2,048.4 million in North America. The significant growth in the Energy business (price and volume increases) and the growth in Hazardous Waste activity offset lower industrial services revenue (in the processus of divestiture). Revenue also benefited from the integration of Chemours' Sulfur Products Division assets (+€107 million) and the acquisition of Enovity which specializes in building energy services in January 2017 (+€35 million);

• revenue growth was robust in Latin America (+22.4% at constant exchange rates) thanks to tariff increases in Argentina, the positive impact of the acquisition of the Pedreira landfill site in Brazil in May 2016, and the start-up of new Water contracts (Punta Lara in Argentina and Santa Marta in Colombia);

• Asia reported significant revenue growth of +21.2% at constant exchange rates. In China, strong revenue growth (+23.7%) was due to new industrial contracts (Sinopec, Hongda), and the growth in prices and volumes sold in the Municipal Energy and Waste sectors. Revenue growth in Japan was also driven by the development of Municipal Water activities and the full-year impact of new activities of the Renova group (plastic recycling) acquired in August 2016. In Korea, the acquisitions of Uniken and Hanbul also contributed to revenue growth;

• the Pacific zone recorded +7.7% growth at constant exchange rates for the year ended December 31, 2017 due to the higher waste volumes collected, the commissioning of new assets and the new Springvale contract (construction revenue);

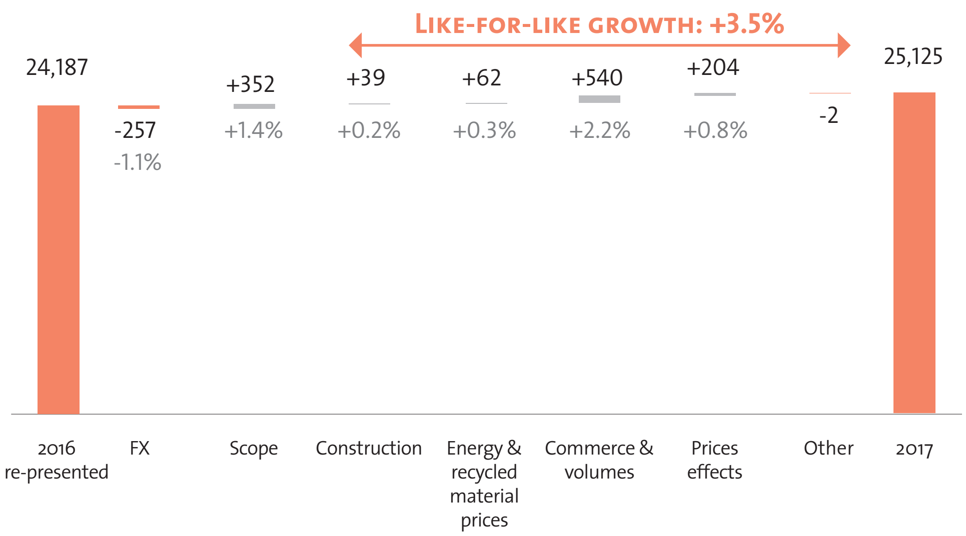
• in Africa and the Middle East, revenue rose by +1% at constant exchange rates.

- **global businesses:** revenue was virtually stable at -0.4% at constant exchange rates versus the re-presented prior-year period:

• hazardous Waste activities increased by +5.7% at constant exchange rates, mainly due to an improvement in the oil recycling business, and an increase in volumes processed at the year-end;

• the Design & Build activity continued to decline by -6.4% at constant exchange rates, in line with the completion of major projects in 2016 (Sadara, Azour North, and the Ichthys O&G contract), but reported a +9% increase in bookings compared with December 31, 2016. Moreover, SADE activity benefited from a boost in business in France, partially offset by the shift of international contracts to 2018.

The change in revenue between 2016 and 2017 breaks down **by main impact** as follows:



The foreign exchange impact totaled -€256.8 million (-1.1% of revenue) and mainly reflects fluctuations in the UK pound sterling (-€150.4 million), the US Dollar (-€47.6 million), the Egyptian pound in Construction activities (-€30.3 million) and the Argentine peso (-€26.5 million).

The consolidation scope impact of +€351.6 million mainly concerns:

- developments in 2016: the integration of Chemours' Sulfur Products Division assets in the United States (+€106.9 million), Prague Left Bank in the Czech Republic (+€20.5 million) and the Pedreira landfill site in Brazil (+€16.5 million) as well as the sale of Bartin Recycling in the Waste business in France (-€132.2 million);
- transactions completed in 2017, primarily in Asia (including Uniken for +€23.1 million and Hanbul for +€25.9 million in Korea) and in Europe (including Hans Andersson for +€63.8 million in Sweden, Eurologistik for +€14.8 million in Germany and Corvara's assets for +€16.8 million in Sweden).

Construction revenue rose by +€39 million (compared to a substantial decline of -€484 million in 2016), due to the increase in construction associated with public service delegation contracts in France in Water and Waste, SADE activity in France and the start of the construction of the Springvale water treatment plant in Australia.

Energy and recyclate prices had an impact of +€62 million (versus -€113 million in 2016), with a significant increase in recyclate prices (+€102 million, of which +€40 million for paper compared with +€15 million in 2016) while energy prices declined by -€40 million in Europe (PFI electricity prices in the UK, heating and electricity prices in Central Europe), but increased in the US.

Commercial momentum improved significantly with the **Commerce/Volumes impact** contributing +€540 million (compared with +€423 million in 2016):

- volume increase of +€294 million, in line with the rising volumes sold in France: Water +1%, Waste +1.9%; in Central Europe: Water +€18 million (including the impact of the Armenia contract) and Energy (+€75 million); and in Northern Europe (higher volumes in waste and energy in Germany);
- a commercial impact of +€235 million thanks to numerous industrial contract wins in Europe (in waste in Germany and in multi-utility industrial contracts), a good performance in Asia (including the Sinopec contract in China for €60 million), the start-up of the Montréal hospital contract in North America, and new municipal contracts in Latin America (Argentina and Colombia);
- the favorable weather impact for +€11 million in Central Europe, despite milder weather in the fourth quarter of 2017 compared to 2016.

Favorable price effects (+€204 million) are tied to positive tariff indexation in Waste in Germany and the United Kingdom, in Water in Central Europe, in Electricity in Morocco, and the significant impact of higher prices in Argentina.

EBITDA

Group consolidated EBITDA for the year ended December 31, 2017 was €3,284.1 million, up 2.7% at constant exchange rates compared to re-presented figures for the prior year period. The EBITDA margin decreased from re-presented 13.3% in 2016 to 13.1% in 2017.

Changes in EBITDA **by segment** were as follows:

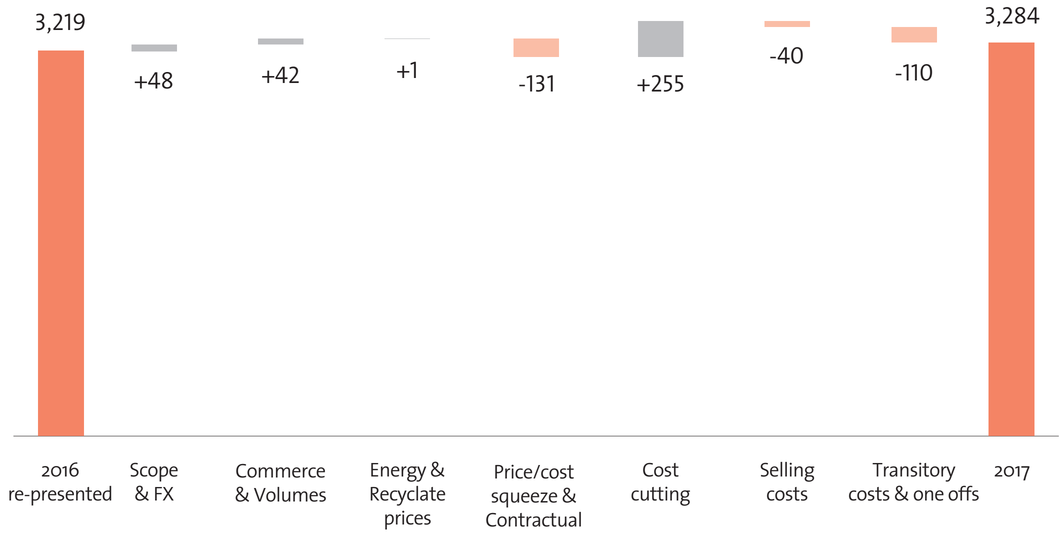
(in € million)	Year ended December 31, 2016 re-presented	Year ended December 31, 2017	2016/2017 change Δ	Δ at constant exchange rates
France	763.2	788.3	3.3%	3.3%
EBITDA margin	14.1%	14.6%		
Europe, excluding France	1,307.1	1,305.0	-0.2%	0.3%
EBITDA margin	16.2%	15.3%		
Rest of the world	864.6	938.3	8.5%	10.1%
EBITDA margin	14.3%	14.2%		
Global businesses	262.7	259.8	-1.1%	-0.6%
EBITDA margin	5.7%	5.7%		
Other	21.8	(7.2)		
GROUP	3,219.4	3,284.1	2.0%	2.7%
EBITDA MARGIN	13.3%	13.1%		

- **In France,** EBITDA recorded significant improvement (+3.3% at constant exchange rates), driven by cost savings:

- in the Water business, EBITDA increased +3.8% in 2017, thanks to significant cost savings and higher volumes (impact of +1.0%) which offset the margin squeeze arising from weak price indexation and the impact of contract renegotiations;
- in Waste, the +2.2% increase in EBITDA was generated by a boost in revenue and cost savings.

- Stable EBITDA (+0.3% at constant exchange rates) in **Europe excluding France** as a result of several factors:
  - in Central and Eastern Europe, EBITDA rose by +1.2% due to efficiency gains and a favorable but immaterial weather impact;
  - EBITDA declined in the United Kingdom (-1.8% at constant exchange rates), with the effect of plant outage and maintenance one-off costs offsetting the favorable impact of recycled paper prices, operational efficiency and new contracts;
  - lower EBITDA in Northern Europe was mainly due to the absence of one-off items that benefited 2016 (litigation payment in Belgium and insurance payment in Germany), while waste performance in Germany continued to improve.
- Continued strong EBITDA growth in the **Rest of the world,** +10,1% at constant exchange rates:
  - EBITDA decreased in the United States (-0.6% at constant exchange rates), primarily due to the performance in waste resulting from the decline in industrial services, and maintenance outages and adverse weather conditions (Hurricane Harvey) in Hazardous Waste, partly offset by the good performance in Energy despite milder weather (favorable price impacts and new energy efficiency contracts);
  - EBITDA rose sharply in Latin America (+27.6% at constant exchange rates) due to price hikes in Argentina, the start-up of new contracts in Colombia and the acquisition of the Pedreira landfill site in Brazil;
  - sustained EBITDA growth of +20.4% in China driven by all businesses: Municipal and Industrial Energy, Industrial Water (Sinopec) and Waste (landfill volumes and growth in Hazardous Waste).
- In the **Global businesses** segment, the benefits of restructuring at Veolia Water Technologies and the solid performance of Hazardous Waste activities (including the turnaround in the oil recycling business) were offset by the absence of favorable one off impacts in 2016 (indemnity payment at end of contract).

The increase in EBITDA between 2016 and 2017 breaks down **by impact** as follows:



The foreign exchange impact on EBITDA was negative at -€21 million. It mainly reflects the depreciation of the UK pound sterling (-€20 million), the Chinese renminbi (-€7 million), the US dollar (-€5 million) and the Argentine peso (-€2 million), offset by the appreciation of the Czech crown (+€9 million) and the Polish zloty (+€5 million).

The **consolidation scope impact** of +€68.5 million mainly reflects developments in 2016: the integration of Chemours' Sulfur Products Division assets in the United States for +€22.2 million, Prague Left Bank in the Czech Republic for +€8 million and the Pedreira landfill site in Brazil for +€8.2 million. The transactions carried out in 2017 accounted for nearly 50% of the EBITDA scope impacts, mainly in Asia for +€19.7 million and Europe for +€9.2 million (of which Hans Andersson for +€4.5 million, Eurologistik for +€2.1 million and the activities of Corvara for +€1.7 million).

Commerce and volumes impacts were positive at +€42 million thanks to strong commercial momentum (new industrial contracts in Europe and Asia, municipal contracts in Latin America), and good volume growth in Europe, in Waste, Water and Energy mitigating the decline in industrial services in the US. The weather impact was neutral following a milder fourth quarter in 2017 compared to 2016.

Energy and recyclate prices positively impacted EBITDA (+€1 million): heating and electricity prices changed in line with the purchase price of fuel used to produce heat and electricity (decrease in Europe and increase in the US). In 2017, the impact of energy prices on EBITDA was overall slightly negative, as the positive impact of higher recyclate prices in the United Kingdom was offset by increased fuel costs in Waste in France.

The -€131 million impact of **price/cost squeeze and contract renegotiations** mainly concerned weak price indexations in Water and Waste in France and the weight of commercial renegotiations in France and Italy, as well as the negative impact of the start-up of new activities (dismantling of oil platforms in the UK, Water contract in Armenia, etc.).

Cost savings plans contributed €255 million, consistent with the annual objective of €250 million. They mainly concern operational efficiency (45%) and purchasing (35%) and were achieved across all geographical zones: France (31%), Europe excluding France (24%), Rest of the world (23%), Global businesses (17%) and Corporate (5%).

Transitory costs and one off items mainly concern the non-recurring favorable items recorded in the first half of 2016 (resolution of a dispute in Belgium, insurance payments received in Germany and favorable contract termination payment at Veolia Water Technologies), and additional insurance and maintenance costs (particularly in the United Kingdom) which incurred in 2017.

Cost savings

EBITDA Impact (in € million)	2016-2018 cumulative objective	2016-2018 revised objective	2017 objective	2017 achievement
Gross cost savings	600	800	250	255

Current EBIT

Group consolidated current EBIT for the year ended December 31, 2017 was €1,519.4 million, up +5.3% at constant exchange rates compared with the re-presented prior year period.

The reconciling items between EBITDA and current EBIT for the years ended December 31, 2017 and 2016 are as follows:

(in € million)	Year ended December 31, 2016 re-presented	Year ended December 31, 2017
EBITDA	**3,219.4**	**3,284.1**
Renewal expenses	(272.4)	(282.5)
Depreciation and amortization(*)	(1,684.4)	(1,703.2)
Provisions, fair value adjustments & other:	103.5	122.7
• Current impairment of property, plant and equipment, intangible assets and operating financial assets	(25.5)	0.4
• Net charges to operating provisions, fair value adjustments and other	99.7	112.6
• Capital gains or losses on industrials divestitures	29.3	9.7
Share of current net income of joint ventures and associates	94.2	98.4
Current EBIT	**1,460.2**	**1,519.4**

(*) *Including principal payments on current operating financial assets (OFA) of -€147.7 million for the year ended December 31, 2017, compared with re-presented -€201.2 million for the year ended December 31, 2016.*

The improvement in current EBIT at constant exchange rates reflects:

- EBITDA growth;
- the increase in depreciation and amortization charges at constant exchange rates (+5.5%), in line with the development of Group activities and consolidation scope impacts (primarily in the United States: Chemours and Enovity, as well as in Korea and Sweden). The decline in principal payments on operating financial assets in 2017 (€53 million) mainly relating to the exceptional payments in 2016 (Dongbu in Korea, Pench IV in India and Béthune and Beauvais in France) also bears mentioning;
- the favorable variation in net operating provision reversals and net asset impairment losses (impairment of production equipment in 2016 in Eastern Europe and provision reversal for captive insurance);
- a decline in capital gains or losses on industrial divestitures for the year ended December 31, 2017;
- the increase in the contribution of equity-accounted entities, notably in China.

The foreign exchange impact on current EBIT was -€17.5 million and mainly reflects fluctuations in the UK pound sterling (-€12.3 million), and the Chinese renminbi (-€6.5 million).

Changes in current EBIT **by segment** were as follows:

(in € million)	Year ended December 31, 2016 re-presented	Year ended December 31, 2017	2016/2017 change Δ	Δ at constant exchange rates
France	132.7	152.4	14.8%	14.8%
Europe, excluding France	710.1	701.5	(1.2%)	(0.6%)
Rest of the world	464.5	553.3	19.1%	21.6%
Global businesses	153.7	155.6	1.2%	2.3%
Other	(0.8)	(43.4)	n/a	n/a
GROUP	1,460.2	1,519.4	4.1%	5.3%

Net financial expense

Net finance costs fell to -€411 million for year ended December 31, 2017, compared with re-presented -€423 million for the year ended December 31, 2016.

Other current financial income and expenses totaled -€151 million for the year ended December 31, 2017, versus re-presented -€133 million for the year ended December 31, 2016. These expenses mainly include interest on concession liabilities (IFRIC 12) for -€94.3 million and the unwinding of discounts on provisions for -€36.3 million. For the year ended December 31, 2017, other current financial income and expenses also included capital gains or losses on financial divestitures in the amount of €8 million, compared with €12.8 million for the year ended December 31, 2016.

Income tax expense

The improved earnings in countries with low tax rates and the repayment of the 3% tax previously paid on dividends in France contributed to a lower income tax rate of 23.9% for the year ended December 31, 2017 compared to re-presented 25.9% for the year ended December 31, 2016.

The non-current income tax expense was impacted by an impairment of deferred tax assets of the US tax group following US tax reform and the corresponding reduction in the US corporate tax applicable beginning January 1, 2018.

Current net income

Current net income attributable to owners of the Company was €622.6 million for the year ended December 31, 2017, compared with re-presented €596.6 million for the year ended December 31, 2016. Excluding capital gains and losses on financial divestitures net of tax and minority interests, current net income attributable to owners of the Company rose 7.3% at constant exchange rates to €616.1 million versus re-presented €583.8 million for the year December 31, 2016.

Current net income per share attributable to owners of the Company was €1.13 (basic) and €1.08 (diluted) for the year ended December 31, 2017, versus €1.09 (basic) and €1.05 (diluted) for the re-presented year ended December 31, 2016.

Net income

Net income attributable to owners of the Company was €401.6 million for the year ended December 31, 2017, compared with re-presented €383.1 million for the year ended December 31, 2016.

Net income attributable to owners of the Company per share was €0.61 (basic) and €0.58 (diluted) for the year ended December 31, 2017, compared with €0.57 (basic) and €0.55 (diluted) for the re-presented year ended December 31, 2016.

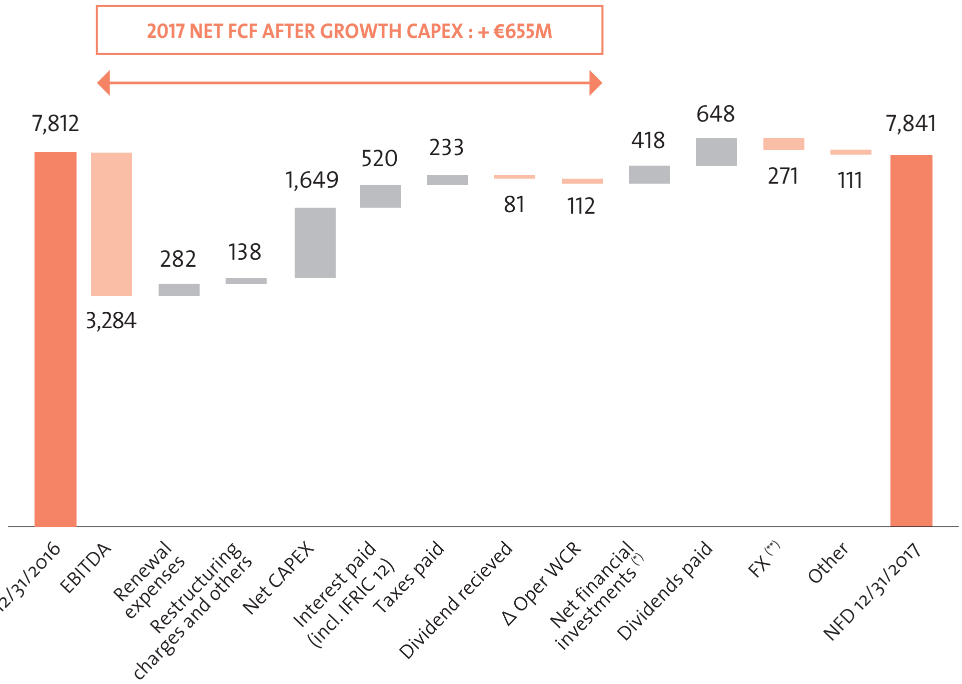
Financing

Net free cash flow amounted to €655 million for the year ended December 31, 2017, versus re-presented €940 million for the year ended December 31, 2016.

The evolution in net free cash flow compared with the year ended December 31, 2016 primarily reflects the increase in EBITDA, the increase in net industrial investments versus 2016 (-€138 million), a change in operating working capital requirements that was still positive, but less favorable than in 2016 (-€156 million) and an increase in tax expense of €7 million.

Overall, **net financial debt** amounted to €7,841 million, compared with re-presented €7,812 million at December 31, 2016.

In addition to the improvement in net free cash flow compared to the prior year (including the variation in operating WCR), net financial debt was impacted by net financial investments of -€418 million, as well as favorable exchange rate fluctuations totaling €271 million over the year and dividends paid of €648 million (including hybrid coupons of €68 million).



(*) Financial investments of -€565 million net of financial divestitures of +€147 million.
(**) Mainly UK pound sterling.

3.2.3 REVENUE BY BUSINESS

(in € million)	Year ended December 31, 2016 re-presented	Year ended December 31, 2017	2016/2017 change Δ	Δ at constant exchange rates	Δ at constant scope and exchange rates
Water	11,029.0	11,113.8	0.8%	1.6%	1.8%
Waste	8,510.0	9,039.9	6.2%	8.1%	4.7%
Energy	4,648.0	4,970.9	6.9%	7.1%	5.2%
GROUP	**24,187.0**	**25,124.6**	**3.9%**	**4.9%**	**3.5%**

Water

Water revenue increased by +1.6% at constant exchange rates and +1.8% at constant consolidation scope and exchange rates compared with re-presented figures for the year ended December 31, 2016. This improvement can be explained as follows:

- higher volumes and a positive commercial effect of +1.6%. The volume increase in France (+1%) was hindered by a slightly negative commercial effect (-€16 million). The rise in water volumes invoiced in Central and Eastern Europe (+9.4%) was primarily due to the start-up of the new contract in Armenia. Revenue also benefited from the impact of new industrial water developments, notably the Sinopec contract in China (+€60 million);
- a slightly positive +0.7% price impact, with increases in Central Europe (Czech Republic and Bulgaria) and Latin America and a minor increase in France beginning the second half of 2017 (+0.2% for the full year);
- construction work which remained virtually stable (+0.1%).

Waste

Waste revenue rose considerably by +8.1% at constant exchange rates compared with re-presented figures for the year ended December 31, 2016 (+4.7% at constant consolidation scope and exchange rates), due to:

- commercial and volume effects of +1.8%: the decline in industrial services volumes in the United States (divestiture announced in January 2018) was offset by an increase in volumes in France, Germany and China as well as a high contract renewal rate and numerous awarded contracts, particularly in France, the UK and Germany and in Hazardous Waste;
- a positive price effect of +1.4% (mainly in Latin America, Germany and the UK);
- the favorable impact of higher recyclate prices (+€102 million), particularly paper;
- a scope impact of +3.4%: acquisition of the Chemours Sulfur Products Division's assets in the United States (+€106.9 million), offset by the sale of Bartin (-€132.2 million).

Energy

Energy revenue rose +7.1% at constant exchange rates compared with re-presented figures for the year ended December 31, 2016 (+5.2% at constant consolidation scope and exchange rates). This improvement can be explained as follows:

- the positive volumes and commerce effect of +4.2%, due to higher energy volumes sold in Central Europe and China, the start-up of energy contracts in Canada and energy efficiency contracts won;
- a negligible weather impact (*i.e.* +0.2%) with a milder fourth quarter in 2017;
- an immaterial price impact: heating and electricity prices which fell in Europe but rose in the US;
- a scope impact of +1.9%, notably related to the acquisition of Prague Left Bank in 2016 and an energy efficiency business in the United States (Enovity) in 2017.

3.2.4 OTHER INCOME STATEMENT ITEMS

3.2.4.1 Selling, general and administrative expenses

Selling, general and administrative expenses impacting current EBIT rose from re-presented €2,830.4 million for the year ended December 31, 2016 to €2,848.2 million for the year ended December 31, 2017, representing an increase of +0.6% (-0.3% at constant exchange rates). The ratio of selling, general and administrative expenses to revenue improved from re-presented 11.7% for the re-presented year ended December 31, 2016 to 11.3% for the year ended December 31, 2017. This decline was attributable to the cost reduction program, partially offset by the increase in commercial costs which helped boost commercial activities.

3.2.4.2 Net financial expenses

(in € million)	Year ended December 31, 2016 re-presented	**Year ended December 31, 2017**
Cost of net financial debt(a)	(423.0)	(410.6)
Net gains/losses on loans and receivables	8.9	21.6
Net income (loss) on available-for-sale assets	5.0	4.6
Assets and liabilities at fair value through profit or loss	(0.1)	0.3
Foreign exchange gains and losses	5.4	(23.8)
Unwinding of the discount on provisions	(41.7)	(36.3)
Interest on concession liabilities	(90.3)	(94.3)
Other	(20.3)	(23.4)
Other current financial income and expense(b)	(133.1)	(151.3)
Gains (losses) on disposals of financial assets(*)	12.8	8.0
Current net financial expenses (a)+(b)	***(543.3)***	***(553.9)***
Other non-current financial income and expenses(**)	25.7	-
NET FINANCIAL EXPENSE	(517.6)	(553.9)

(*) *Including costs of disposal of financial assets.*
(**) *Essentially related to the impact of the divestment of 20% of Transdev Group.*

Cost of net financial debt

The cost of net financial debt totaled -€410.6 million for the year ended December 31, 2017, versus re-presented -€423.0 million for the year ended December 31, 2016, thanks to continued active debt management that offset the higher cost of non-euro denominated debt.

The net financing rate also remains stable at 4.94% for the year ended December 31, 2017, compared with 4.95% for the year ended December 31, 2016.

Other financial income and expenses

Other financial income and expenses totaled -€143.3 million for the year ended December 31, 2017, versus re-presented -€94.6 million for the re-presented year ended December 31, 2016.

The capital gains on financial divestitures recorded in 2017 in the amount of €8.0 million were down sharply compared with the €34.5 million recorded for the re-presented year ended December 31, 2016. Re-presented capital gains on financial divestitures for the year ended December 31, 2016 included the impacts of financial divestitures relating to the fair-value re-measurement of previously held equity interests in France and China. Other non-current financial income and expenses for the year ended December 31, 2016 also included the capital gain on the divestiture of Veolia Environnement's 20% stake in Transdev Group in the amount of €25.7 million.

3.2.4.3 Income tax expense

The income tax expense for the year ended December 31, 2017 amounted to -€227.8 million, compared with -€191.2 million for the re-presented year ended December 31, 2016.

The current tax rate for the year ended December 31, 2017 declined to 23.9% (versus 25.9% for the re-presented year ended December 31, 2016) after adjustment for the impact of financial divestitures, and non-recurring items within net income of fully controlled entities and the share of net income of equity-accounted companies. This is primarily due to a change in the breakdown of pre-tax income by country.

(In € million)	Year ended December 31, 2016 re-presented	Year ended December 31, 2017
Current income before tax (a)	**916.9**	**965.5**
Of which share of net income of joint ventures & associates (b)	94.2	98.4
Of which gains (losses) on disposals of financial assets (c)	12.8	8.0
Re-presented current income before tax: (d) = (a)-(b)-(c)	**809.9**	**859.1**
Re-presented tax expense (e)	**(210.1)**	**(205.6)**
Re-presented tax rate on current income (e)/(d)	**25.9%**	**23.9%**

3.2.4.4 Share of net income (loss) of other equity-accounted entities

The net income of other equity-accounted entities (Transdev Group) totaled €22.8 million for the year ended December 31, 2017 (30% stake), versus €27.4 million for the year ended December 31, 2016 (50% stake).

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

The share of net income attributable to non-controlling interests totaled €137.6 million for the year ended December 31, 2017, compared with re-presented €103.0 million for the re-presented year ended December 31, 2016.

Net income attributable to owners of the Company was €401.6 million for the year ended December 31, 2017, compared with re-presented €383.1 million for the re-presented year ended December 31, 2016.

Current net income attributable to owners of the Company was €622.6 million for the year ended December 31, 2017, compared with re-presented €596.6 million for the year ended December 31, 2016.

Based on a weighted average number of outstanding shares of 550.8 million (basic), and 574.6 million (diluted), for the year ended December 31, 2017, compared with 549.0 million (basic) and 568.5 million (diluted) for the year ended December 31, 2016, net income attributable to owners of the Company per share for the year ended December 31, 2017 was €0.61 (basic) and €0.58 (diluted) compared with re-presented €0.57 (basic) and €0.55 (diluted) for the re-presented year ended December 31, 2016. Current net income attributable to owners of the Company per share was €1.13 (basic) and €1.08 (diluted) for the year ended December 31, 2017, compared with re-presented €1.09 (basic) and €1.05 (diluted) for the re-presented year ended December 31, 2016.

The dilutive effect taken into account in the above earnings per share calculation concerns mainly the OCEANE bonds convertible into and/or exchangeable for new and/or existing shares issued in March 2016.

For the year ended **December 31, 2017**, net income (loss) attributable to owners of the Company breaks down as follows:

(in € million)	Current	Non-current	Total
EBIT	1,519.4	(234.6)	1,284.8
Cost of net financial debt	(410.6)	-	(410.6)
Other financial income and expenses	(143.3)	-	(143.3)
Pre-tax income (loss)	965.5	(234.6)	730.9
Income tax expense	(205.6)	(22.2)	(227.8)
Net income (loss) of other equity-accounted entities	-	22.8	22.8
Net income (loss) from discontinued operations	-	13.3	13.3
Non-controlling interests	(137.3)	(0.3)	(137.6)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	622.6	(221.0)	401.6

For the re-presented year ended **December 31, 2016,** net income (loss) attributable to owners of the Company breaks down as follows:

(in € million)	Current	Non-current	Total
EBIT	1,460.2	(266.9)	1,193.3
Cost of net financial debt	(423.0)	-	(423.0)
Other financial income and expenses	(120.3)	25.7	(94.6)
Pre-tax income (loss)	916.9	(241.2)	675.7
Income tax expense	(210.1)	18.9	(191.2)
Net income (loss) of other equity-accounted entities	-	27.4	27.4
Net income (loss) from discontinued operations	-	(25.8)	(25.8)
Non-controlling interests	(110.2)	7.2	(103.0)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	596.6	(213.5)	383.1

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

(in € million)	Year ended December 31, 2016 re-presented	Year ended December 31, 2017
Current EBIT	**1,460.2**	**1,519.4**
Impairment losses on goodwill and negative goodwill	3.2	(1.4)
Net charges to non-current provisions	(1.4)	(10.4)
Restructuring charges	(184.5)	(157.6)
Non-current impairment losses on WCR	(4.3)	3.8
Personnel costs: share-based payments	(3.3)	(1.4)
Non-current provisions and impairment of property, plant and equipment, intangible assets, operating financial assets and others	(65.3)	(55.5)
Share acquisition costs, with or without acquisition of control	(11.3)	(12.1)
Total non-current items	**(266.9)**	**(234.6)**
OPERATING INCOME AFTER SHARE OF NET INCOME OF EQUITY-ACCOUNTED ENTITIES	1,193.3	1,284.8

Restructuring charges for the year ended December 31, 2017 related to Water activities in France (-€78.1 million) and VWT (-€24.6 million). Non-current provisions and WCR impairment losses mainly relate to the Industrial Multi-Services business.

3.3 Financing

3.3.1 CHANGES IN NET FREE CASH FLOW AND NET FINANCIAL DEBT

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

(in € million)	Year ended December 31, 2016 re-presented	Year ended December 31, 2017
EBITDA	**3,219**	**3,284**
Net industrial investments	(1,511)	(1,649)
Change in operating WCR	268	112
Dividends received from equity-accounted entities and joint ventures	93	81
Renewal expenses	(272)	(282)
Other non-current expenses and restructuring charges	(123)	(138)
Interest on concession liabilities	(90)	(94)
Financial items (current cash financial expense, and operating cash flow from financing activities)	(416)	(426)
Taxes paid	(227)	(233)
Net free cash flow before dividend payment, financial investments and financial divestitures	940	655
Dividends paid	(591)	(648)
Net financial investments	(501)	(418)
Change in receivables and other financial assets	273	95
Issue/repayment of deeply subordinated securities	18	0
Proceeds on issue of shares	(22)	24
Free cash flow	**118**	**(293)**
Effect of foreign exchange rate movements and other(*)	240	264
Change	**357**	**(29)**
Net financial debt at the beginning of the period	(8,169)	(7,812)
NET FINANCIAL DEBT AT THE END OF THE PERIOD	(7,812)	(7,841)

(*) *The effect of foreign exchange rate and other movements as of December 31, 2017 included the favorable impact of the US dollar, the UK pound sterling, the Hong Kong dollar, the Chinese renminbi and the Brazilian real and the negative impact of the Polish zloty.*

Net free cash flow before dividend payments and net financial investments was +€655 million for the year ended December 31, 2017 (versus +€940 million for the re-presented year ended December 31, 2016).

The decrease in net free cash flow compared to the figure for the re-presented year ended December 31, 2016 primarily reflects an improved EBITDA, a less favorable change in operating working capital requirements, and an increase in net industrial investments.

3.3.2 INDUSTRIAL AND FINANCIAL INVESTMENTS

3.3.2.1 Industrial investments

Total Group gross industrial investments, including new operating financial assets, amounted to €1,738 million for the year ended December 31, 2017, compared with re-presented €1,597 million for the year ended December 31, 2016.

Industrial investments, excluding discontinued operations, break down by **segment** as follows:

Year ended December 31, 2017 *(in € million)*	Maintenance and contractual requirements(1)	Discretionary growth	Total gross industrial investments(2)	Industrial divestitures	Total net industrial investments
France	360	12	**372**	(15)	**357**
Europe excluding France	590	93	**683**	(30)	**653**
Rest of the world	426	104	**530**	(27)	**503**
Global businesses	128	-	**128**	(16)	**112**
Other	25	-	**25**	(1)	**24**
TOTAL INDUSTRIAL INVESTMENTS	1,529	209	1,738	(89)	1,649

(1) Of which maintenance investments of €822 million, and contractual investments of €707 million.
(2) Of which new OFA in the amount of €112 million.

Year ended December 31, 2016 re-presented *(in € million)*	Maintenance and contractual requirements(1)	Discretionary growth	Total gross industrial investments(2)	Industrial divestitures	Total net industrial investments
France	337	4	**341**	(26)	**315**
Europe excluding France	606	74	**680**	(28)	**652**
Rest of the world	313	127	**440**	(17)	**423**
Global businesses	114	-	**114**	(14)	**100**
Other	22	-	**22**	(1)	**21**
TOTAL INDUSTRIAL INVESTMENTS	1,392	205	1,597	(86)	1,511

(1) Of which maintenance investments of €797 million, and contractual investments of €595 million.
(2) Of which new OFA in the amount of €113 million.

At constant exchange rates, gross industrial investments rose by 9.4%.

Gross discretionary growth industrial investments were stable compared to 2016.

3.3.2.2 Financial investments and divestitures

Financial investments amounted to -€565 million for the year ended December 31, 2017 (including acquisition costs and net financial debt of new entities) and include the impacts arising from the acquisitions of Corvara and Hans Andersson (-€143 million), Uniken (-€66 million), the Dutch group Van Scherpenzeel (-€56 million), Eurologistik (-€40 million) and Enovity (-€26 million). For the re-presented year ended December 31, 2016, financial investments (-€881 million, including the net financial debt of new entities) mainly concerned the acquisition of the Chemours Sulfur Products Division in the United States, the Pedreira landfill site in Brazil, and Prague Left Bank in the Czech Republic.

Financial divestitures totaled €147 million for the year ended December 31, 2017 (including disposal costs) and include Affinity in the UK and energy services for buildings in Sweden. For the year ended December 31, 2016, financial divestitures (€380 million) included the sale of 20% of Transdev Group for €216 million (including disposal costs).

3.3.3 LOANS TO JOINT VENTURES

Loans to equity-accounted entities recorded under "Change in receivables and other financial assets" totaled €117 million as of December 31, 2017 (versus €165.6 million as of December 31, 2016) and included loans to the Chinese concessions of €66 million, down €58 million compared to €124 million as of December 31, 2016. This decline was attributable to the repayment of the loan granted to Tjanjin Shibei for €65 million.

3.3.4 OPERATING WORKING CAPITAL REQUIREMENTS

The change in operating working capital requirements (excluding discontinued operations) was +€112 million for the year ended December 31, 2017, compared with re-presented +€268 million for the year ended December 31, 2016.

This decrease was attributable to the change in inventories (-€7 million), operating receivables (+€35 million) and operating payables (+€84 million).

The net WCR position on the balance sheet as of December 31, 2017 totaled a resource of €763 million, an improvement despite the increase in the Group's revenue during the year.

See Note 5.3 to the consolidated financial statements for the year ended December 31, 2017.

3.3.5 EXTERNAL FINANCING

3.3.5.1 Structure of net financial debt

(in € million)	Note	Year ended December 31, 2016 re-presented	Year ended December 31, 2017
Non-current borrowings	8.1.1	8,344.0	9,465.2
Current borrowings	8.1.1	4,759.6	4,607.0
Bank overdrafts and other cash position items	8.1.3	246.8	208.9
Sub-total borrowings		13,350.4	14,281.1
Cash and cash equivalents	8.1.3	(5,520.4)	(6,263.9)
Fair value gains (losses) on hedge derivatives	8.3.1	(5.0)	(1.3)
Liquid assets and financing-related assets	8.1.2	(12.9)	(174.9)
NET FINANCIAL DEBT		7,812.1	7,841.0

For the year ended December 31, 2017 net financial debt after hedging[(1)] was borrowed at 89% at fixed rates and 11% at variable rates.

The average maturity of net financial debt was 9.2 years as of December 31, 2017, compared with 9.3 years as of December 31, 2016.

(1) Including the restatement of €1.8 billion of the carryover of cash relating to the pre-financing of upcoming bond maturity repayments in 2018.

The leverage ratio, *i.e.* the ratio of closing net financial debt (NFD) to 12-months rolling EBITDA as of December 31, 2017, decreased compared to the re-presented figure as of December 31, 2016:

	Year ended December 31, 2016 re-presented	Year ended December 31, 2017
Leverage ratio (closing NFD/EBITDA)	(2.4)	(2.4)

3.3.5.2 Group liquidity position

Liquid assets of the Group as of December 31, 2017 break down as follows:

(in € million)	Year ended December 31, 2016 re-presented	Year ended December 31, 2017
Veolia Environnement:		
Undrawn syndicated loan facility	3,000.0	3,000.0
Undrawn MT bilateral credit lines	925.0	925.0
Undrawn ST bilateral credit lines	-	-
Letter of credit facility	8.2	55.1
Cash and cash equivalents[(1)]	4,648.4	5,371.0
Subsidiaries:		
Cash and cash equivalents[(1)]	886.0	1,067.9
Total liquid assets	9,467.6	10,419.0
Current debt, bank overdrafts and other cash position items		
Current debt	4,759.7	4,607.0
Bank overdrafts and other cash position items	246.8	208.9
Total current debt, bank overdrafts and other cash position items	5,006.5	4,815.9
TOTAL LIQUID ASSETS NET OF CURRENT DEBT, BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS	4,461.1	5,603.1

(1) Including liquid assets and financing-related assets included in net financial debt.

The increase in net liquid assets mainly reflects the March and November 2017 bond issues for a nominal amount of €1.8 billion for a bond redemption payment of €472 million in 2018.

Veolia Environnement may draw on the multi-currency syndicated loan facility and all credit lines at any time.

Undrawn medium-term syndicated loan facilities

On November 6, 2015, Veolia Environnement signed a new multi-currency syndicated loan facility in the amount of €3 billion initially maturing in 2020, extended to 2022 in October 2017 with the possibility for drawdowns in Eastern European currencies and Chinese renminbi.

This syndicated loan facility was not drawn down as of December 31, 2017.

Undrawn ST and MT bilateral credit lines

Veolia Environnement has bilateral credit lines for a total undrawn amount of €925 million as of December 31, 2017.

Letter of credit facility:

As of December 31, 2017, the bilateral letters of credit facility was drawn by US$118.9 million. The portion that may be drawn in cash amounted to US$66.1 million (€55.1 million equivalent), undrawn and recorded in the liquidity table above.

3.3.5.3 Bank covenants

See Note 8.3.2.3 to the consolidated financial statements.

3.4 Return on capital employed (ROCE)

3.4.1 POST-TAX ROCE

Current EBIT after tax is calculated as follows:

(in € million)	Year ended December 31, 2016 re-presented	Year ended December 31, 2017
Current EBIT(*)	1,460	1,519
• Current income tax expense	(210)	(206)
Current EBIT after tax	**1,250**	**1,314**

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

Capital employed for the year was calculated as follows:

(in € million)	Year ended December 31, 2016 re-presented	Year ended December 31, 2017
Intangible assets and property, plant and equipment, net	11,912	11,775
Goodwill, net of impairment	4,864	4,928
Investments in joint ventures and associates	2,366	2,114
Operating financial assets	1,736	1,614
Operating and non-operating working capital requirements, net	(2,157)	(2,235)
Net derivatives and other instruments[1]	(130)	(8)
Provisions	(2,630)	(2,478)
Capital employed	**15,961**	**15,710**
Impact of discontinued operations and other restatements[2]	(232)	(160)
Re-presented capital employed	**15,729**	**15,550**

(1) Excluding derivatives hedging the fair value of debt in the amount of €0.3 million for the year ended December 31, 2016, and -€11.1 million for the year ended December 31, 2017.
(2) The restatements in 2016 and 2017 include the impact arising from the capital employed of entities that are not viewed as core to the Group's businesses, i.e. Transdev Group.

The Group's post-tax return on capital employed (ROCE) is as follows:

(in € million)	Current EBIT after tax	Average capital employed	Post-tax ROCE
2016	1,250	15,781	7.9%
2017	**1,314**	**15,639**	**8.4%**

3.4.2 PRE-TAX ROCE

Unlike post-tax ROCE, the capital employed used for the pre-tax ROCE calculation does not include investments in joint ventures and associates.

The Group's pre-tax return on capital employed (ROCE) by segment is as follows:

(in € million)	Current EBIT before tax	Average capital employed	Pre-tax ROCE
France	132.9	1,790.4	7.4%
Europe excluding France	698.7	6,867.9	10.2%
Rest of the world	400.2	4,308.9	9.3%
Global businesses	134.9	1,087.7	12.4%
Other	(0.7)	(350.5)	N/A
TOTAL GROUP 2016	**1,366.0**	**13,704.4**	**10.0%**
France	152.1	1,716.4	8.9%
Europe excluding France	686.0	6,828.9	10.0%
Rest of the world	476.5	4,423.6	10.8%
Global businesses	149.9	1,185.2	12.6%
Other	(43.4)	(460.3)	N/A
TOTAL GROUP 2017	**1,421.0**	**13,693.8**	**10.4%**

3.5 Statutory Auditors' fees

(in € million)	KPMG SA 2017	KPMG SA 2016	Ernst & Young et autres 2017	Ernst & Young et autres 2016
Certification of individual and consolidated accounts and half year limited review				
• Veolia Environnement	1.5	1.3	1.8	1.5
• Controlled entities	8.4	8.0	10.3	10.1
Sub-total (a)	9.9	9.3	12.1	11.6
Other services than certification of accounts required by legal and regulatory texts				
• Veolia Environnement	0.5	0.1	0.5	0.1
• Controlled entities	0.1	0.0	0.2	0.1
Sub-total (b)	0.6	0.1	0.7	0.2
Other services than the certification of accounts provided at the request of the entity				
• Veolia Environnement	0.2	0.5	0.1	0.3
• Controlled entities	2.0	1.6	2.1	1.5
Sub-total (c)	2.2	2.1	2.2	1.8
Other Services than certification of accounts(1)				
Sub-total (d) = (b) + (c)	2.8	2.2	2.9	2.0
TOTAL (e) = (a) + (d)	12.7	11.5	15.0	13.6

(1)Other services than certification of accounts include services provided at the request of the consolidating entity or controlled entities (contractual audits, attestations, agreed procedures, accounting consultations, information system review in place or planned, Acquisition and disposal procedures, report on social, environmental and societal information and tax services that do not affect the independence of the Statutory Auditors).

3.6 Related party transactions

The Group identifies related parties in accordance with the provisions of paragraph 9 of IAS 24 revised, Related Party Disclosures (See Note 13 to the consolidated financial statements).

3.7 Subsequent events

GABON

By letter dated February 16, 2018, the Gabonese Republic unilaterally terminated the concession agreement signed with the Group's subsidiary, SEEG – Société d'énergie et d'eau du Gabon, (Gabon's Energy and Water Company), alleging reasons of general interest. The same day, through Ministerial order, all material and human resources were seized by the Gabonese government. A new Ministerial order has also designated temporary executive body in charge of implementing termination and seizure measures.

The Group has immediately strongly protested against this brutal and manifestly unlawful action and has done everything it could to support its employees in Gabon. Furthermore, Veolia is examining the legal consequences as well as legal actions that could result from this situation, and expects Gabon to comply with the rule of law and with its obligations.

Veolia, through its 51% subsidiary, SEEG, has managed the production, transport, and distribution of drinking water and electricity throughout all Gabon since 1997, under the terms of a 20-year contract with the Gabonese Republic, extended for five years in March 2017.

SEEG contribution to main 2017 aggregate can be summarized as follows:

(in € million)	
Revenue	306.2
EBITDA	63.6
Operating income	18.7
Net income attributable to owners of the Company	2.6

The SEEG value, in 2017 Group's consolidated financial statements, amounts to €40 million.

DISPOSAL US INDUSTRIAL CLEANING SERVICES DIVISION OF VEOLIA NORTH AMERICA

On January 23, 2018, Veolia Environmental Services North America, LLC, a subsidiary of Veolia North America, Inc. and Clean Harbors, Inc. announced the signing of a definitive agreement whereby Clean Harbors will acquire Veolia North America's US Industrial Cleaning Services Division for US$120 million in an all-cash transaction. This acquisition has been finalised on February 23, 2018, subject to approval by US regulators and other customary closing conditions.

3.8 Risk factors

The main risk factors the Group could confront are set out in Chapter 5 of the 2017 Registration Document.

3.9 Outlook

- 2018 (at constant exchange rates):
  - continuation of sustained revenue growth;
  - EBITDA growth greater than that of 2017;
  - more than €300 million in cost savings.
- 2019[1]:
  - continuation of revenue growth and full impact of cost savings;
  - EBITDA between €3.3 billion and €3.5 billion (excluding IFRIC 12), *i.e.* between €3.5 billion and €3.7 billion including IFRIC 12.
- Dividend growth in line with that of current net income.

(1) At constant exchange rates (based on rates at the end of 2016).

3.10 Appendices

3.10.1 RECONCILIATION OF GAAP INDICATORS AND THE INDICATORS USED BY THE GROUP

The reconciliation of current EBIT with operating income, as shown in the income statement, is shown in Section 3.2.4.5. Likewise, the reconciliation of current net income with net income, as shown in the income statement, is shown in Section 3.2.4.5.

The reconciliation of operating cash flow with EBITDA is as follows:

(in € million)	Year ended December 31, 2016 re-presented	Year ended December 31, 2017
Operating cash flow before changes in working capital	**2,610.2**	**2,671.5**
Operating cash flow from financing activities	3.2	(12.8)
Adjusted operating cash flow	2,607.0	2,684.3
Excluding:		
Renewal expenses	272.4	282.5
Non-current impairment losses on WCR	4.3	(3.7)
Cash restructuring costs	119	124.5
Share acquisition and disposal costs	15.5	19.3
Other non-current expenses	0	17.6
Including:		
Principal payments on operating financial assets	201.2	159.7
EBITDA	**3,219.4**	**3,284.1**

The reconciliation of Net cash from operating activities of continuing operations (included in the Consolidated Cash Flow Statement) with net free cash flow is as follows:

(in € million)	Notes	Year ended December 31, 2016 re-presented	Year ended December 31, 2017
Net cash from operating activities of continuing operations		**2,542.4**	**2,428.0**
including:			
Industrial investments, net of grants		(1,353.5)	(1,495,5)
Proceeds on industrial assets		85.8	89.3
New operating financial assets		(113.4)	(112.4)
Principal payments on operating financial assets		201.2	159.7
New finance lease obligations		(17.7)	(8.1)
Dividends received	Note 5.2.2	93.2	81.3
Interest paid		(520.8)	(533.3)
Excluding:			
Share acquisition and disposal costs, and other items		23.1	46.0
Free cash flow net		**940.3**	**655.0**

The reconciliation of Industrial investments, net of grants (included in the Consolidated Cash Flow Statement) with industrial capex is as follows:

(in € million)	Year ended December 31, 2016 re-presented	Year ended December 31, 2017
Industrial investments, net of grants	**(1,353.5)**	**(1,495.5)**
New finance lease obligations	(17.7)	(8.1)
Change in concession working capital requirements	(112.0)	(122.0)
New operating financial assets	(113.4)	(112.4)
Industrial capex	**(1,596.6)**	**(1,738.0)**

3.10.2 RECONCILIATION OF 2016 PUBLISHED DATA WITH 2016 RE-PRESENTED DATA

(in € million)	Year ended December 31, 2016 published	IFRS 5 adjustment[(3)]	Year ended December 31, 2016 re-presented
Revenue	24,390.2	(203.2)	24,187.0
EBITDA (a)	3,258.4	(39.0)	3,219.4
Current EBIT[(1)]	1,476.5	(16.3)	1,460.2
Operating income	1,169.6	23.7	1,193.3
Current net Income – Group share	610.7	(14.1)	596.6
Net Income – Group share	383.1	0.0	383.1
Gross industrial Investments (b)	(1,597.0)	0	(1,597)
Of wich change in concession WCR	(112.0)	0	(112)
Interest on operating assets – IFRIC 12 (c)	(90.3)	0.0	(90.3)
Net free cash flow[(2)]	970	(30)	940
Net financial debt	(7,811)	(1)	(7,812)

(1) Including the re-presented share of current net income of joint ventures and associates for the year ended December 31, 2016.
(2) No impact related to IFRIC 12 adjustment on net free cash flow (a)+(b)+(c)=0).
(3) In order to ensure the comparability of periods, the year ended December 31, 2016 has been adjusted for the reclassification of the Group's activities in Lithuania to "Net income (loss) from discontinued operations" pursuant to IFRS 5.

(in € million)	Year ended December 31, 2016 published	IFRS 5 adjustment[(1)]	Year ended December 31, 2016 re-presented
France	5,417.7	0.0	5,417.7
Europe excluding France	8,286.3	(203.2)	8,083.1
Rest of the world	6,028.4	0.0	6,028.4
Global businesses	4,626.2	0.0	4,626.2
Other	31.6	0.0	31.6
REVENUE	24,390.2	(203.2)	24,187.0

(1) In order to ensure the comparability of periods, the year ended December 31, 2016 has been adjusted for the reclassification of the Group's activities in Lithuania to "Net income (loss) from discontinued operations" pursuant to IFRS 5.

(in € millions)	Year ended December 31, 2016 published	IFRS 5 adjustment[1]	Year ended December 31, 2016 re-presented
France	763.2	0.0	763.2
Europe excluding France	1,346.1	(39.0)	1,307.1
Rest of the world	864.6	0.0	864.6
Global businesses	262.7	0.0	262.7
Other	21.8	0.0	21.8
EBITDA	3,258.4	(39.0)	3,219.4

(1) In order to ensure the comparability of periods, the year ended December 31, 2016 has been adjusted for the reclassification of the Group's activities in Lithuania to "Net income (loss) from discontinued operations" pursuant to IFRS 5.

(in € millions)	Year ended December 31, 2016 published	IFRS 5 adjustment[1]	Year ended December 31, 2016 re-presented
France	132.7	0.0	132.7
Europe excluding France	726.4	(16.3)	710.1
Rest of the world	464.5	0.0	464.5
Global businesses	153.7	0.0	153.7
Other	(0.8)	0.0	(0.8)
CURRENT EBIT	1,476.5	(16.3)	1,460.2

(1) In order to ensure the comparability of periods, the year ended December 31, 2016 has been adjusted for the reclassification of the Group's activities in Lithuania to "Net income (loss) from discontinued operations" pursuant to IFRS 5.

3.10.3 DEFINITIONS

GAAP (IFRS) indicators

Cost of net financial debt is equal to the cost of gross debt, including related gains and losses on interest rate and currency hedges, less income on cash and cash equivalents.

Operating cash flow before changes in working capital, as presented in the Consolidated Cash Flow Statement, is comprised of three components: operating cash flow from operating activities (referred to as "adjusted operating cash flow" and known in French as "capacité d'autofinancement opérationnelle") consisting of operating income and expenses received and paid ("cash"), operating cash flow from financing activities including cash financial items relating to other financial income and expenses and operating cash flow from discontinued operations composed of cash operating and financial income and expense items classified in net income from discontinued operations pursuant to IFRS 5. Adjusted operating cash flow does not include the share of net income attributable to equity-accounted entities.

Net income (loss) from discontinued operations is the total of income and expenses, net of tax, related to businesses divested or in the course of divestiture, in accordance with IFRS 5.

Non-GAAP indicators

The term "**change at constant exchange rates**" represents the change resulting from the application of exchange rates of the prior period to the current period, all other things being equal.

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

The industrial sector covers Water, Waste and Energy management services, offered to industrial or service sector customers.

EBITDA comprises the sum of all operating income and expenses received and paid (excluding restructuring charges, non-current WCR impairments, renewal expenses and share acquisition and disposal costs) and principal payments on operating financial assets.

The EBITDA margin is defined as the ratio of EBITDA to revenue.

To calculate **current EBIT,** the following items will be deducted from operating income:

- goodwill impairments of fully controlled subsidiaries and equity-accounted entities;
- restructuring charges;
- non-current provisions and impairments;
- non-current and/or significant impairment of non-current assets (tangible, intangible assets and operating financial assets);
- impacts relating to the application of IFRS 2, *Share-based payment*;
- share acquisition costs.

Current net income is defined as the sum of the following items:

- current EBIT;
- current net finance expenses, that include current cost of net financial debt and other current financial income and expenses, including capital gains or losses on financial divestitures (including gains or losses included in the share of net income of equity-accounted entities);
- current tax items;
- minority interests (excluding the portion of minority interests relative to non-current items in the income statement).

Current net income earnings per share is defined as the ratio of current net income (not restated for the cost of the coupon attributable to hybrid debt holders) by the weighted average number of outstanding shares during the year.

Net industrial investments, as presented in the statement of changes in net financial debt, include industrial investments (purchases of intangible assets and property, plant and equipment, and operating financial assets), net of industrial asset divestitures.

The Group considers **discretionary growth investments,** which generate additional cash flows, separately from **maintenance-related investments,** which reflect the replacement of equipment and installations used by the Group as well as investments relating to contractual obligations.

Net financial investments, as presented in the statement of changes in net financial debt, include financial investments, net of financial divestitures.

Financial investments include purchases of financial assets, including the net financial debt of companies entering the scope of consolidation, and partial purchases resulting from transactions with shareholders where there is no change in control.

Financial divestitures include disposals of financial assets including the net financial debt of companies leaving the scope of consolidation, and partial divestitures resulting from transactions with shareholders where there is no change in control, as well as issues of share capital by non-controlling interests.

Net free cash flow corresponds to free cash flow from continuing operations, and is calculated by: the sum of EBITDA, dividends received, changes in operating working capital and operating cash flow from financing activities, less net interest expenses, net industrial investments, taxes paid, renewal expenses, restructuring charges and other non-current expenses.

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

The leverage ratio is the ratio of closing net financial debt to EBITDA.

The financing rate is defined as the ratio of the cost of net financial debt (excluding fair value adjustments to instruments not qualifying for hedge accounting) to average monthly net financial debt for the period, including the cost of net financial debt of discontinued operations.

The pre-tax return on capital employed (ROCE) is defined as the ratio of:

- current EBIT before share of net income or loss of equity-accounted entities;
- average capital employed in the year, including operating financial assets and excluding investments in joint ventures and associates.

Capital employed used in the pre-tax ROCE calculation is therefore equal to the sum of net intangible assets and property, plant and equipment, goodwill net of impairment, operating financial assets, net operating and non-operating working capital requirements and net derivative instruments less provisions. It also includes the capital employed of activities classified within assets and liabilities held for sale, excluding discontinued operations.

The post-tax return on capital employed (ROCE) is defined as the ratio of:

- current EBIT including the share of net income or loss of equity-accounted entities, after tax. It is calculated by subtracting the current tax expense from current EBIT including the share of net income or loss of equity-accounted entities. Current tax expense is the tax expense in the income statement re-presented for tax effects on non-current items;
- average capital employed in the year, including operating financial assets and investments in joint ventures and associates.

Capital employed used in the post-tax ROCE calculation is therefore equal to the sum of net intangible assets and property, plant and equipment, goodwill net of impairment, investments in joint ventures and associates, operating financial assets, net operating and non-operating working capital requirements and net derivative instruments less provisions. It also includes the capital employed of activities classified within assets and liabilities held for sale, excluding discontinued operations.

For both pre-tax and post-tax ROCE, the impacts of the Group's investment in the Transdev Group joint venture, which is not viewed as a core Company activity and whose contribution is recognized as a share of net income of other equity-accounted entities, are excluded from the calculations.

3.11 Recent events (after the accounts closing by the Board of Directors)

On February 22, 2018 the Company issued a press release on its results for 2017.

On March 8, the Société d'Énergie et d'Eau du Gabon (SEEG) filed a request for conciliation at the International Centre for the Settlement of Investment Disputes (ICSID), in Washington (United States). This request follows the expropriation of the SEEG's assets and its staff and the sudden termination of the public service concession for the production, transportation and distribution of drinking water and electricity by the Republic of Gabon on February 16, 2018. The SEEG believes that the termination and the expropriation are illegal and that they cause it very serious harm. Through its investment in the SEEG, Veolia has been established in Gabon for more than 20 years and is one of the largest foreign investors in the country.

On March 13, Qatari Diar company disclosed to the market the sale of all its Veolia Environnement shares (*i.e.* 26.1 million shares representing 4.6% of the share capital) through a private placement open to institutional investors.

4

FINANCIAL STATEMENTS

Information from the Annual Financial Report is clearly identified in the table of contents by the pictogram AFR

4.1 Consolidated financial statements AFR

4.1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position-Assets

(in € million)	Note	As of December 31, 2016	As of December 31, 2017
Goodwill	Note 7.1	4,850.2	4,915.7
Concession intangible assets	Note 7.2.1	3,775.6	3,475.3
Other intangible assets	Note 7.2.2	1,012.7	1,017.1
Property, plant and equipment	Note 7.3	7,177.2	7,294.4
Investments in joint ventures	Note 5.2.4	1,642.6	1,506.1
Investments in associates	Note 5.2.4	723.4	607.8
Non-consolidated investments		88.0	70.6
Non-current operating financial assets	Note 5.4	1,554.1	1,416.8
Non-current derivative instruments – Assets	Note 8.3	43.2	27.1
Other non-current financial assets	Note 8.1.2	385.6	348.6
Deferred tax assets		1,211.1	956.9
Non-current assets		**22,463.7**	**21,636.4**
Inventories and work-in-progress	Note 5.3	719.6	721.6
Operating receivables	Note 5.3	8,686.0	8,528.1
Current operating financial assets	Note 5.4	141.6	197.3
Other current financial assets	Note 8.1.2	284.7	404.6
Current derivative instruments – Assets	Note 8.3	78.4	69.9
Cash and cash equivalents	Note 8.1.3	5,521.4	6,263.9
Assets classified as held for sale*		53.8	487.3
Current assets		**15,485.5**	**16,672.7**
TOTAL ASSETS		37,949.2	38,309.1

* *As of December 31, 2017, assets classified as held for sale mainly concern Europe excluding France segment in the amount of €405.1 million and the Rest of the world segment in the amount of €81.9 million. As of December 31, 2016, they concerned West Coast assets, in United States, in the amount of €53.8 million.*

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position – Equity and Liabilities

(in € million)	Note	As of December 31, 2016	As of December 31, 2017
Share capital	Note 9.2	2,816.8	2,816.8
Additional paid-in capital		7,161.2	7,161.2
Reserves and retained earnings attributable to owners of the Company		(2,228.8)	(2,475.1)
Total equity attributable to owners of the Company	**Note 9.2**	**7,749.2**	**7,502.9**
Total equity attributable to non-controlling interests	Note 9.3	1,127.3	1,153.8
Equity		**8,876.5**	**8,656.7**
Non-current provisions	Note 10	2,123.7	1,941.6
Non-current borrowings	Note 8.1.1	8,344.0	9,465.2
Non-current derivative instruments – Liabilities	Note 8.3	122.4	108.4
Concession liabilities – non current	Note 5.5	1,399.2	1,281.2
Deferred tax liabilities		1,079.8	970.1
Non-current liabilities		**13,069.1**	**13,766.5**
Operating payables	Note 5.3	10,199.9	10,118.0
Concession liabilities – current	Note 5.5	119.8	85.8
Current provisions	Note 10	559.4	577.0
Current borrowings	Note 8.1.1	4,759.7	4,607.0
Current derivative instruments – Liabilities	Note 8.3	118.0	49.1
Bank overdrafts and other cash position items	Note 8.1.3	246.8	208.9
Liabilities directly associated with assets classified as held for sale*		-	240.1
Current liabilities		**16,003.6**	**15,885.9**
TOTAL EQUITY AND LIABILITIES		37,949.2	38,309.1

* *As of December 31, 2017, liabilities directly associated with assets classified as held for sale mainly concerned the Europe excluding France segment in the amount of €212.4 million.*

The accompanying notes are an integral part of these consolidated financial statements.

4.1.2 CONSOLIDATED INCOME STATEMENT

(in € million)	Note	2016 re-presented(1)	2017
Revenue	**Note 5.1**	**24,187.0**	**25,124.6**
Cost of sales		(19,988.5)	(20,855.2)
Selling costs		(591.9)	(621.8)
General and administrative expenses		(2,239.3)	(2,227.0)
Other operating revenue and expenses		(268.2)	(234.2)
Operating income before share of net income (loss) of equity-accounted entities	**Note 5.2**	**1,099.1**	**1,186.4**
Share of net income (loss) of equity-accounted entities		**94.2**	**98.4**
o/w share of net income (loss) of joint ventures	Note 5.2.4	66.8	63.5
o/w share of net income (loss) of associates	Note 5.2.4	27.4	34.9
Operating income after share of net income (loss) of equity-accounted entities		**1,193.3**	**1,284.8**
Net finance costs	Note 8.4.1	(423.0)	(410.6)
Other financial income and expenses	Note 8.4.2	(94.6)	(143.3)
Pre-tax net income (loss)		**675.7**	**730.9**
Income tax expense	Note 11.1	(191.2)	(227.8)
Share of net income (loss) of other equity-accounted entities	Note 5.2.4	27.4	22.8
Net income (loss) from continuing operations		**511.9**	**525.9**
Net income (loss) from discontinued operations		(25.8)	13.3
Net income (loss) for the period		**486.1**	**539.2**
Attributable to owners of the Company		**383.1**	**401.6**
Attributable to non-controlling interests	Note 9.2	103.0	137.6
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE	**Note 9.5**	-	-
Basic		0.57	0.60
Diluted		0.55	0.58
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE	**Note 9.5**	-	-
Basic		0.62	0.58
Diluted		0.60	0.56
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE	**Note 9.5**	-	-
Basic		(0.05)	0.02
Diluted		(0.05)	0.02

(1) 2016 adjustments concern the reclassification of Lithuania in discontinued operations in accordance with IFRS 5.

The accompanying notes are an integral part of these consolidated financial statements.

4.1.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	2016 re-presented(1)	2017
Net income (loss) for the period	**486.1**	**539.2**
Actuarial gains or losses on pension obligations	(97.2)	94.2
Income tax expense	24.7	(22.3)
Amount net of tax	(72.5)	71.9
Other items of comprehensive income not subsequently released to net income	**(72.5)**	**71.9**
o/w attributable to joint ventures	***(0.2)***	-
o/w attributable to associates	***(3.2)***	***0.8***
Fair value adjustments on available-for-sale assets	(2.6)	5.2
Income tax expense	-	(1.9)
Amount net of tax	(2.6)	3.3
Fair value adjustments on cash flow hedge derivatives	(9.9)	(20.6)
Income tax expense	(11.5)	2.3
Amount net of tax	(21.4)	(18.3)
Foreign exchange gains and losses:		
• on the translation of the financial statements of subsidiaries drawn up in a foreign currency	(72.5)	(295.6)
Amount net of tax	(72.5)	(295.6)
• on the net financing of foreign operations	(33.7)	44.8
• income tax expense	(0.2)	-
Amount net of tax	(33.9)	44.8
Other items of comprehensive income subsequently released to net income	**(130.4)**	**(265.8)**
o/w attributable to joint ventures(2)	***(61.6)***	***(112.2)***
o/w attributable to associates	***4.1***	***(9.9)***
Total Other comprehensive income	**(202.9)**	**(193.9)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	283.2	345.3
Attributable to owners of the Company	202.5	246.6
Attributable to non-controlling interests	80.7	98.7

(1) 2016 adjustments concern the reclassification of Lithuania in discontinued operations in accordance with IFRS 5.
(2) The share attributable to joint ventures mainly concerns:
in 2017: the fluctuation in foreign exchange translation reserves of the Chinese concessions (-€111.0 million);
in 2016: the fluctuation in foreign exchange translation reserves of the Chinese concessions (-€65.6 million).

The accompanying notes are an integral part of these consolidated financial statements.

4.1.4 CONSOLIDATED CASH FLOW STATEMENT

(in € million)	Notes	2016 re-presented[1]	2017
Net income (loss) for the period		**486.1**	**539.2**
Net income (loss) from continuing operations		***511.9***	***525.9***
Net income (loss) from discontinued operations		***(25.8)***	***13.3***
Operating depreciation, amortization, provisions and impairment losses		1,544.8	1,516.0
Financial amortization and impairment losses		19.9	(6.5)
Gains (losses) on disposal of operating assets		(29.1)	(9.7)
Gains (losses) on disposal of financial assets		(57.6)	(15.1)
Share of net income (loss) of joint ventures	Note 5.2.4	(66.8)	(63.5)
Share of net income (loss) of associates	Note 5.2.4	(54.8)	(57.7)
Dividends received	Note 8.4.2	(8.1)	(3.4)
Net finance costs	Note 8.4.1	423.0	410.6
Income tax expense	Note 11	191.2	227.8
Other items		135.8	147.1
Operating cash flow before changes in operating working capital		**2,610.2**	**2,671.5**
Change in operating working capital requirements	Note 5.3	270.4	112.0
Change in concession working capital requirements		(112.0)	(122.0)
Income taxes paid		(226.2)	(233.5)
Net cash from operating activities of continuing operations		***2,542.4***	***2,428.0***
Net cash from operating activities of discontinued operations		***13.5***	***24.2***
Net cash from operating activities		**2,555.9**	**2,452.2**
Industrial investments, net of grants		(1,353.5)	(1,495.5)
Proceeds on disposal of industrial assets		85.8	89.3
Purchases of investments	Note 3.2	(797.8)	(364.1)
Proceeds on disposal of financial assets	Note 3.2	281.7	136.9
Operating financial assets		-	-
New operating financial assets	Note 5.4	(113.4)	(112.4)
Principal payments on operating financial assets	Note 5.4	201.2	159.7
Dividends received (including dividends received from joint ventures and associates)		93.2	81.3
New non-current loans granted		(123.8)	(135.9)
Principal payments on non-current loans		67.8	193.5
Net decrease/increase in current loans		329.0	37.7
Net cash used in investing activities of continuing operations		***(1,329.8)***	***(1,409.5)***
Net cash used in investing activities of discontinued operations		***-***	***(12.3)***
Net cash used in investing activities		**(1,329.8)**	**(1,421.8)**
Net increase (decrease) in current borrowings	Note 8.1.1	(547.1)	(689.4)

(1) 2016 adjustments concern the reclassification of Lithuania in discontinued operations in accordance with IFRS 5.

(in € million)	Notes	2016 re-presented[(1)]	2017
New non-current borrowings and other debts	Note 8.1.1	2,049.9	1,886.0
Principal payments on non-current borrowings and other debts	Note 8.1.1	(176.2)	(109.2)
Change in liquid assets and financing financial assets	Note 8.1.2	(9.0)	(163.3)
Proceeds on issue of shares	Note 9.2	14.5	15.3
Share capital reduction		-	-
Transactions with non-controlling interests: partial purchases		(5.3)	(6.7)
Transactions with non-controlling interests: partial sales		0.4	1.5
Proceeds on issue of deeply subordinated securities		-	-
Coupons on deeply subordinated securities	Note 9.4.1	(68.8)	(67.8)
Purchases of/proceeds from treasury shares	Note 9.2	(22.0)	23.9
Dividends paid	Note 9.2	(521.7)	(580.5)
Interest paid	Note 8.4.1	(430.5)	(439.0)
Interest on operating assets IFRIC 12		(90.3)	(94.3)
Net cash from (used in) financing activities of continuing operations		***193.9***	***(223.5)***
Net cash from financing activities of discontinued operations		***(0.6)***	***(0.3)***
Net cash from (used in) financing activities		**193.3**	**(223.8)**
Effect of foreign exchange rate changes and other		(2.5)	(25.1)
Increase (decrease) in external net cash of discontinued operations		**-**	**(1.1)**
NET CASH AT THE BEGINNING OF THE YEAR		3,857.7	5,274.6
NET CASH AT THE END OF THE YEAR		5,274.6	6,055.0
Cash and cash equivalents	Note 8.1.3	5,521.4	6,263.9
Bank overdrafts and other cash position items	Note 8.1.3	246.8	208.9
NET CASH AT THE END OF THE YEAR		5,274.6	6,055.0

(1) 2016 adjustments concern the reclassification of Lithuania in discontinued operations in accordance with IFRS 5.

The accompanying notes are an integral part of these consolidated financial statements.

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4.1.5 STATEMENT OF CHANGES IN EQUITY

(in € million)	Number of shares outstanding	Share capital	Additional paid-in capital	Deeply subordinated securities	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Amount as of January 1, 2016	**563,364,823**	**2,816.8**	**7,165.6**	**1,314.1**	**(436.5)**	**(2,840.6)**	**334.6**	**(15.7)**	**8,338.3**	**1,165.0**	**9,503.3**
Impact of IFRIC 12 clarification	**0**	**-**	**-**	**-**	**-**	**(330.4)**	**(7.5)**	**-**	**(337.9)**	**(35.1)**	**(373.0)**
Amount as of January 1, 2016 re-presented	**563,364,823**	**2,816.8**	**7,165.6**	**1,314.1**	**(436.5)**	**(3,171.0)**	**327.1**	**(15.7)**	**8,000.4**	**1,129.9**	**9,130.3**
Issues of share capital of the parent company	-	-	-	-	-	-	-	-	-	-	-
Proceeds on issue of deeply subordinated securities		-	-	-	-	-	-	-	-	-	-
OCEANE equity component		-	-	17.6	-	-	-	-	17.6	-	17.6
Coupon on deeply subordinated securities		-	-	(68.8)	-	-	-	-	(68.8)	-	(68.8)
Parent company dividend distribution		-	(4.4)	-	-	(396.8)	-	-	(401.2)	-	(401.2)
Elimination of treasury shares		-	-	-	(21.5)	(0.5)	-	-	(22.0)	-	(22.0)
Share-based payments		-	-	-	-	3.3	-	-	3.3	-	3.3
Third party share in share capital increases of subsidiaries		-	-	-	-	-	-	-	-	14.5	14.5
Third party share in dividend distributions of subsidiaries		-	-	-	-	-	-	-	-	(120.5)	(120.5)
Transactions with non-controlling interests		-	-	-	-	(1.9)	-	-	(1.9)	(2.8)	(4.7)
Total transactions with non-controlling interests	**-**	**-**	**(4.4)**	**(51.2)**	**(21.5)**	**(395.9)**	**-**	**-**	**(473.0)**	**(108.8)**	**(581.8)**

(in € million)	Number of shares outstanding	Share capital	Additional paid-in capital	Deeply subordinated securities	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Other comprehensive income		-	-	-	-	(70.1)	(83.7)	(26.8)	(180.6)	(22.3)	(202.9)
Net income for the period		-	-	-	-	383.1	-	-	383.1	103.0	486.1
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**313.0**	**(83.7)**	**(26.8)**	**202.5**	**80.7**	**283.2**
Other movements		-	-	-	-	19.3	-	-	19.3	25.5	44.8
Amount as of December 31, 2016	**563,364,823**	**2,816.8**	**7,161.2**	**1,262.9**	**(458.0)**	**(3,234.6)**	**243.4**	**(42.5)**	**7,749.2**	**1,127.3**	**8,876.5**
Issues of share capital of the parent company	-	-	-	-	-	-	-	-	0	-	0.0
Proceeds on issue of deeply subordinated securities		-	-	-	-	-	-	-	0	-	0.0
OCEANE Equity component		-	-	-	-	-	-	-	0	-	0.0
Coupon on deeply subordinated securities		-	-	(67.8)	-	-	-	-	(67.8)	-	(67.8)
Parent company dividend distribution		-	-	-	-	(439.7)	-	-	(439.7)	-	(439.7)
Elimination of treasury shares		-	-	-	23.9	-	-	-	23.9	-	23.9
Share-based payments		-	-	-	-	1.4	-	-	1.4	-	1.4
Third party share in share capital increases of subsidiaries		-	-	-	-	-	-	-	-	15.3	15.3
Third party share in dividend distributions of subsidiaries		-	-	-	-	-	-	-	-	(140.8)	(140.8)
Transactions with non-controlling interests		-	-	-	-	(2.8)	-	-	(2.8)	0.9	(1.9)
Total transactions with non-controlling interests	-	-	-	(67.8)	23.9	(441.1)	-	-	(485)	(124.6)	(609.6)

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(in € million)	Number of shares outstanding	Share capital	Additional paid-in capital	Deeply subordinated securities	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Other comprehensive income		-	-	-	-	74.7	(215.9)	(13.8)	(155)	(38.9)	(193.9)
Net income for the period		-	-	-	-	401.6	-	-	401.6	137.6	539.2
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**476.3**	**(215.9)**	**(13.8)**	**246.6**	**98.7**	**345.3**
Other movements		-	-	-	-	(7.9)	-	-	(7.9)	52.4	44.5
Amount as of December 31, 2017	**563,364,823**	**2,816.8**	**7,161.2**	**1,195.1**	**(434.1)**	**(3,207.3)**	**27.5**	**(56.3)**	**7,502.9**	**1,153.8**	**8,656.7**

A dividend per share of €0.80 was distributed in 2017, compared with €0.73 in 2016.

A dividend distribution of €0.84 per share is proposed to the General Shareholders' Meeting of April 19, 2018.

The total dividend paid recorded in the Consolidated Cash Flow Statement of €580 million and €522 million for the years ended December 31, 2017 and 2016, respectively, breaks down as follows:

(in € million)	2016	2017
Parent company dividend distribution	(401.2)	(439.7)
Third party share in dividend distributions of subsidiaries	(120.5)	(140.8)
Scrip dividend	-	-
TOTAL DIVIDEND PAID	(521.7)	(580.5)

4.1.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1 ACCOUNTING PRINCIPLES AND METHODS

1.1 General principles underlying the preparation of the financial statements

The accounting methods presented in these notes to the consolidated financial statements have been applied consistently for all periods presented in the consolidated financial statements.

The consolidated financial statements are presented on a historical cost basis, with the exception of assets and liabilities held for sale measured in accordance with IFRS 5 and assets and liabilities recognized at fair value: derivatives, financial instruments held for trading, financial instruments designated at fair value and available-for-sale financial instruments (in accordance with IAS 32 and IAS 39).

The Veolia Environnement consolidated financial statements for the year ended December 31, 2017 were adopted by the Board of Directors on February 21, 2018 and will be presented for approval at the General Shareholders' Meeting on April 19, 2018.

1.2 Accounting standards framework

1.2.1 Basis underlying the preparation of the financial information

Pursuant to Regulation no. 1606/2002 of July 19, 2002, as amended by European Regulation no. 297/2008 of March 11, 2008, the consolidated financial statements are presented in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union. These standards may be consulted at the following European Union website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

In the absence of IFRS standards or interpretations and in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Veolia refers to other IFRS dealing with similar or related issues and the conceptual framework.

The consolidated financial statements are presented in millions of euros, unless stated otherwise.

The consolidated financial statements comprise the financial statements of Veolia Environnement, the entities it controls (its subsidiaries) and the entities equity accounted. The financial statements of subsidiaries are drawn up for the same reference period as those of the parent company, from January 1, to December 31, 2017, in accordance with uniform accounting policies and methods.

1.2.2 Standards, standard amendments and interpretations applicable from fiscal year 2017

The accounting principles and valuation rules applied by the Group in preparing the consolidated financial statements for the year ended December 31, 2017 are identical to those applied by the Group as of December 31, 2016 with the exception of:

- the amendment to IAS 7, Statement of Cash Flows, pursuant to the disclosure initiative;
- the amendment to IAS 12, Income taxes, recognition of deferred tax assets for unrealized losses.

The impact of the first-time application of these texts is not material for the Group.

1.2.3 Texts which enter into mandatory effect after December 31, 2017 and not adopted early by the Group

- IFRS 15, *Revenue from Contracts with Customers*:

  On May 28, 2014, the IASB published IFRS 15, Revenue from Contracts with Customers. IFRS 15 introduces a new revenue recognition model for customer contracts. This standard will replace IAS 11, IAS 18 and the related IFRIC and SIC interpretations on revenue recognition. It is applicable to fiscal years beginning on or after January 1, 2018.

  The Group has therefore performed an inventory and analysis of the differences introduced by the new standard. An assessment was initially prepared, based on identified differences compared with the current standard and taking account of existing contractual models in the Group's various businesses.

  This assessment was validated by a review of major contracts and/or contacts representative of the Group's activities. Work performed during this phase identified the main issues likely to create differences with the Group's accounting policies: obligations to maintain or renew installations, construction activities, variable remuneration and the Agent – Principal analysis.

  The quantified impacts assessed during this phase for each of the potential sources of difference did not identify a material impact at the date of first-time application of the standard, due to the terms and conditions of the Group current contracts:

  - Principal-Agent analysis: the nature of the Group's businesses raises few questions in this regard. The rare instances identified concern the purchase and distribution of energy and are not material at the transition date;
  - Construction business: the Group's construction activities are recognized on a completion basis which complies with IFRS 15 requirements;

- Maintenance services: the Group's current contracts contain few separate performance obligations for maintenance services; While analyses performed did not identify a material impact at the transition date, this issue will be closely monitored going forward;
- Variable remuneration: Group contracts contain a variety of mechanisms that vary the amount of remuneration. Analyses performed did not identify any material differences compared with current treatment at the transition date. This issue will, however, be closely monitored going forward.

The Group's accounting policies must, nonetheless, be updated to take account of the revenue recognition principles introduced by IFRS 15 and training sessions will be provided to ensure the communication and proper understanding of any changes.

The Group continues to closely monitor the application issues still under discussion.

- IFRS 9, Financial Instruments:

  This new standard on financial instruments will be effective in the Group from January 1, 2018. The Group has launched an inventory and analysis of the differences resulting from the provisions of this new standard.

  These procedures primarily identified two differences concerning the impairment methodology for trade receivables and the recognition of debt swaps. Work to quantify these differences is currently being finalized and the expected impacts are not material.

- IFRS 16, Leases.
- IFRS 17, Insurance contracts.
- Amendment to IFRS 2 on the classification and measurement of certain share based payment transactions.
- Amendments resulting from the IFRS annual improvement process (2014-2016 cycle).
- IFRIC 22, Foreign Currency Transactions and Advance Consideration.
- IFRIC 23, Uncertainty over Income Tax Treatments.
- Amendment to IFRS 9, Financial Instruments, regarding prepayment features with negative compensation.
- Amendment to IAS 28 regarding long-term interests in associates and joint ventures.
- Amendments resulting from the IFRS annual improvement process (2015-2017 cycle).

Subject to their definitive adoption by the European Union, these standards and standard amendments are of mandatory application for fiscal years beginning on or after January 1, 2018. The Group is currently assessing the potential impact of the first-time application of these texts.

1.3 Translation of foreign subsidiaries' financial statements

Statements of financial position, income statements and cash flow statements of subsidiaries whose functional currency is different from the presentation currency of the Group are translated into the presentation currency at the applicable rate of exchange (*i.e.* the year-end rate for statement of financial position items and the average annual rate for income statement and cash flow items). Foreign exchange translation gains and losses are recorded in other comprehensive income in equity. The exchange rates of the major currencies of non-euro countries used in the preparation of the consolidated financial statements were as follows:

Period-end exchange rate *(one foreign currency unit = €xx)*	Year ended December 31, 2016	Year ended December 31, 2017
US Dollar	0.9487	0.8338
Pound sterling	1.1680	1.1271
Chinese renminbi	0.1363	0.1278
Australian dollar	0.6851	0.6516
Polish zloty	0.2267	0.2394
Argentinian peso	0.0595	0.0442
Mexican peso	0.0459	0.0423
Brazilian real	0.2915	0.2517
Czech crown	0.0370	0.0392

Average exchange rate (one foreign currency unit = €xx)	Average annual rate 2016	Average annual rate 2017
US Dollar	0.9035	0.8855
Pound sterling	1.2213	1.1412
Chinese renminbi	0.1359	0.1312
Australian dollar	0.6717	0.6790
Polish zloty	0.2292	0.2349
Argentinian peso	0.0612	0.0533
Mexican peso	0.0484	0.0469
Brazilian real	0.2589	0.2773
Czech crown	0.0370	0.0380

1.4 Foreign currency transactions

Foreign currency transactions are translated into euro at the exchange rate prevailing at the transaction date. At the year end, foreign currency-denominated monetary assets and liabilities are remeasured at year-end exchange rates. The resulting foreign exchange gains and losses are recorded in net income for the period.

Loans to a foreign subsidiary, the settlement of which is neither planned nor probable in the foreseeable future represent, in substance, a portion of the Group's net investment in this foreign operation. Foreign exchange gains and losses on monetary items forming part of a net investment are recognized directly in other comprehensive income in foreign exchange translation adjustments and are released to net income on the disposal of the net investment.

Exchange gains and losses on foreign currency-denominated borrowings or on currency derivatives that qualify as hedges of a net investment in a foreign operation, are recognized directly in other comprehensive income as foreign exchange translation adjustments. Amounts recognized in other comprehensive income are released to income on the date of disposal of the relevant investment.

Foreign currency-denominated non-monetary assets and liabilities recognized at historical cost are translated using the exchange rate prevailing as of the transaction date. Foreign currency-denominated non-monetary assets and liabilities recognized at fair value are translated using the exchange rate prevailing as of the date the fair value is determined.

NOTE 2 USE OF MANAGEMENT ESTIMATES IN THE APPLICATION OF GROUP ACCOUNTING STANDARDS

Veolia may be required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosures of contingent assets and liabilities. Future results may be different from these estimates.

Underlying estimates and assumptions are determined based on past experience and other factors considered as reasonable given the circumstances. They act as a basis for making judgments necessary to the determination of the carrying amount of assets and liabilities, which cannot be obtained directly from other sources. Future values could differ from these estimates.

All these estimates are based on organized procedures for the collection of forecast information on future flows, validated by operating management, and on expected market data based on external indicators and used in accordance with consistent and documented methodologies.

Underlying estimates and assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recognized in the period the change is made if it affects this period only and in the period the change is made and prior periods if they are also affected by the change. With regards to Brexit and the outcome of the June 23, 2016 referendum, and beyond the macro-economic effects which still remain uncertain, the Group's exposure to foreign exchange transactional risks appears limited as of December 31, 2017, Group's activities being performed by subsidiaries operating in their own country and their own currency. Concerning the foreign exchange risk on assets, the Group has developed a policy which seeks to back foreign-currency financing and foreign currency derivatives with net foreign investments and ensore that Group companies do not have a material balance sheet foreign exchange position that could generate significant volatility in foreign exchange gains and losses.

Estimates made by the Group in preparing the consolidated financial statements primarily concern:

- determining the recoverable amount of goodwill, intangible assets and property, plant and equipment: Notes 5.2 and 7 presents future flow assumptions and the discount rates used to measure the recoverable amount of these assets. Sensitivity analyses were also performed and are presented in the aforementioned note;
- measuring provisions and the employee benefit obligation as well as contingent assets and liabilities (Notes 6, 10 and 12): Veolia took account of the best estimate of these obligations when measuring these provisions;
- determining the fair value of financial instruments (Note 8.3) including derivatives; Veolia measured these derivative instruments and performed the necessary efficiency tests;
- the amount of deferred tax assets and liabilities and the tax expense recognized (Note 11.2): these balances represent the tax position of the Group and are based, primarily in France and in the United States, on best estimates available to the Group of results of tax audits in progress and trends in future tax results;
- methods used for determining identifiable assets acquired and liabilities assumed in business combinations.

In addition, pursuant to the provisions of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, the Group must exercise judgment in determining whether the criteria for recognizing an asset or group of assets as held for sale are met. Furthermore, discontinued operations are identified with respect to criteria also defined in IFRS 5. These assessments are reviewed at each period end taking account of any changes in facts or circumstances.

Finally, Veolia must make assumptions and judgments when assessing the level of control exercised over certain investments and particularly when defining relevant activities and identifying substantial rights. These judgments are reassessed when the facts and circumstances change.

The Group used the following discount rate calculation methodology for the purpose of these estimates:

- application of IAS 36, Impairment of assets: in accordance with Group practice, the discount rates used correspond to the weighted-average cost of capital, calculated annually. A specific risk premium is included in the calculation of the weighted average cost of capital of entities located in countries outside the euro area and the following euro area countries: Spain, Italy, Portugal and Slovenia;
- application of IAS 37, Provisions, Contingent Liabilities and Contingent Assets: the discount rates used consist of a risk-free interest rate and a risk premium specific to the underlying assets and liabilities;
- application of IAS 19 revised, Employee Benefits: commitments were measured using a range of market indices and, in particular, the Iboxx index and data provided by actuaries. The same method was used year-on-year.

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NOTE 3 CONSOLIDATION SCOPE

3.1 Accounting principles relating to the consolidation scope

3.1.1 Consolidation principles

Controlled entities

Veolia Environnement fully consolidates all entities over which it exercises control.

Definition of control

Control exists when the Group (i) holds power over an entity, (ii) is exposed or has rights to variable returns from its involvement with the entity and (iii) has the ability to use its power over the entity to effect the amount of its returns.

The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

Full consolidation

The Group consolidates a subsidiary in its consolidated financial statements from the date it obtains control of the entity to the date it ceases to control the entity.

Interests that are not directly or indirectly attributable to the Group are recorded in non-controlling interests.

Net income and each component of other comprehensive income of subsidiaries are attributed to owners of the Company and to non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to non-controlling interests, even if this results in non-controlling interests having a deficit balance.

Change in ownership interests in consolidated subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in a change in control over the subsidiaries are accounted for as equity transactions, as they are transactions performed by shareholders acting in this capacity.

The effects of these transactions are recognized in equity at their net-of-tax amount and do not therefore impact the Consolidated Income Statement of the Group.

These transactions are presented in financing activities in the Consolidated Cash Flow Statement.

Investments in joint ventures and associates

Definition

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the entity have rights to its net assets.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Accounting for joint ventures and associates

The results and assets and liabilities of associates or joint ventures are incorporated in the Group consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with the provisions of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

Under the equity method, the investment in the associate or joint venture is initially recognized at acquisition cost and subsequently adjusted to recognize the Group's share of the net income and other comprehensive income of the associate or joint venture.

When a Group entity transacts with an associate or joint venture of the Group, profits and losses resulting from the transaction with the associate or joint venture are recognized in the Group consolidated financial statements only to the extent of interests in the associate or joint venture.

The share of net income (loss) of equity-accounted entities is included in the Group Consolidated Income Statement. Pursuant to recommendation no. 2013-01 issued by the French Accounting Standards Authority (Autorité des Normes Comptables, ANC) on April 4, 2013, the share of net income (loss) of equity-accounted entities must be included in "Operating income after share of net income (loss) of equity-accounted entities" or presented in a separate line "Share of net income (loss) of other equity-accounted entities" depending on whether the activities of such entities represent an extension of the Group's businesses.

Impairment tests

The requirements of IAS 39, Financial Instruments: Recognition and Measurement, are applied to determine whether it is necessary to test an investment in an associate or joint venture for impairment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36, Impairment of Assets.

Loss of significant influence or joint control

The equity method is discontinued from the date the investment ceases to be an associate or a joint venture. Where the Group retains a residual interest in the entity and that interest is a financial asset, the financial asset is measured at fair value at the date the investment ceases to be an associate or a joint venture.

Where an investment in an associate becomes an investment in a joint venture, or vice versa, the equity method continues to be applied and the change in ownership interest does not trigger remeasurement to fair value.

Investments in joint operations

Definition

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have direct rights to the assets, and obligations for the liabilities, relating to the arrangement.

Accounting for joint operations

As a joint operator in a joint operation, the Group recognizes in relation to its interest in the joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its expenses, including its share of any expenses incurred jointly.

3.1.2 Transactions impacting the consolidation scope

Business combinations and goodwill

Business combinations are recorded in accordance with the acquisition method as defined in IFRS 3, revised.

Under this method, identifiable assets acquired and liabilities assumed of the acquiree are recorded at fair value at the acquisition date.

The goodwill arising from the business combination is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest and, where applicable, the fair value of any previously held interest, over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

This goodwill is measured in the functional currency of the company acquired and recognized in assets in the Consolidated Statement of Financial Position.

The Group may elect, on an individual transaction basis, at the acquisition date, to measure non-controlling interests either at fair value (full goodwill) or at the share in the fair value of the identifiable net assets of the Company acquired (partial goodwill).

Pursuant to IFRS, goodwill is not amortized but is subject to impairment tests performed annually or more frequently where there is evidence calling into question the net carrying amount recorded in assets in the Statement of Financial Position.

Where the terms and conditions of a business combination are advantageous, negative goodwill arises. The corresponding profit is recognized in net income at the acquisition date.

Acquisition-related costs are expensed in the period in which the costs are incurred and the services received.

Pursuant to the provisions of IFRS 3 revised, the Group may finalize the recognition of the business combination during the measurement period. This period ends when all the necessary information has been obtained and no later than one year after the acquisition date.

Assets/liabilities classified as held for sale, discontinued operations

IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, sets out the accounting treatment applicable to assets held for sale and presentation and disclosure requirements for discontinued operations.

The standard notably requires the separate presentation of assets held for sale in the Consolidated Statement of Financial Position at the lower of net carrying amount and fair value less costs to sell, where the criteria set-out in the standard are satisfied.

When the Group is committed to a sales process leading to the loss of control of a subsidiary, all assets and liabilities of that subsidiary are reclassified as held for sale where the standard classification criteria are met, irrespective of whether the Group retains a residual interest in the entity after sale.

In addition, the standard requires the separate presentation in the Consolidated Income Statement of the results of discontinued operations for all comparative periods on a retrospective basis.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or major geographical area of operations; or,
- is a subsidiary acquired exclusively with a view to resale.

3.2 Changes in Group structure

Acquisition of Uniken

On February 28, 2017, Veolia completed the acquisition of Uniken, a specialist in industrial and hazardous waste processing located in the Ulsan region in Korea, for an enterprise value of €66 million.

Acquisition of Van Scherpezeel Groep BV

On November 1, 2017, the Group acquired the Van Scherpenzeel group, a Waste specialist in the Netherlands, for an enterprise value of €56 million.

Acquisition of Corvara and Hans Handersson

The Group strengthened its presence in Sweden with the acquisition of Corvara's industrial cleaning business (September 1, 2017) and the recycling specialist, the Hans Andersson group (August 31, 2017), for an enterprise value of €42 million and €101 million, respectively.

Other operations

The Group also performed less significant transactions in the period and particularly:

- Veolia acquired the Eurologistik group, a specialist in waste collection and recycling and the production of RDF, operating in Northern and Eastern Germany. The acquisition was completed on September 11, 2017 for an enterprise value of €40.5 million;
- on January 9, 2017, the Group acquired Enovity, a building energy services company based in San Francisco, for an enterprise value of €26 million;
- the Group sold its investment in Affinity Water in the United Kingdom for €40 million;
- building energy services assets in Sweden were sold for €56 million, net of sale fees.

Other changes

The Vilnius contract was affected by several major events in 2017: Veolia's 15-year contract for the operation of the Lithuanian capital's heating system ended on March 29, 2017. The city of Vilnius filed a compensation claim with Veolia Environnement and its subsidiary Vilnius Energija (Vilnius Energy) for damage to assets incurred during the period of delegated management. The Group fully contests this claim. The city of Vilnius recently announced that this claim should amount to €200 million. As a result, the municipal company issued a warranty claim for €200 million to Veolia on March 29, 2017 (Notice of Default) and the Vilnius Municipal Council filed a request for arbitration before the Stockholm Chamber of Commerce (SCC) on April 25, 2017 for this amount.

It is recalled that in January 2016, the Group filed a request for arbitration against Lithuania before the International Centre for Settlement of Investment Disputes (ICSID) for unfair treatment and expropriation, based on a compensation claim of around €100 million. In addition, following a request for arbitration filed with the Stockholm Chamber of Commerce on November 30, 2016, the Group secured the nomination of an independent expert, appointed to assess the condition of the assets at the end of the contract.

As of December 31, 2017, the ongoing withdrawal from Lithuania, motivated by the end of a major contract and the sales process for other activities, led the Group to transfer its Lithuanian activities to discontinued operations in accordance with IFRS 5.

The Group received €47 million in 2017 in respect of trade receivables, inventories and asset transfers.

For further information, see Note 12.

3.3 Off-balance sheet commitments relating to the consolidation scope

3.3.1 Commitments given

Off-balance sheet commitments given break down as follows:

(in € million)	As of December 31, 2016	As of December 31, 2017	Maturing in: Less than 1 year	Maturing in: 1 to 5 years	Maturing in: More than 5 years
Vendor warranties	775.2	706.1	148.7	31.2	526.2
Securities purchase commitments	1.7	170.6	141.2	29.3	0.1
Sale commitments	0.3	0.3	0.3	-	-
Other commitments relating to the consolidated scope	38.5	16.7	16.2	0.1	0.4
TOTAL COMMITMENTS RELATING TO THE CONSOLIDATED SCOPE	815.7	893.7	306.4	60.6	526.7

Vendor warranties primarily comprise:

- warranties given on the divestiture of the investment in Berlin Water in the amount of €484.0 million;
- warranties given on the divestiture in 2004 of Water activities in the United States in the amount of €62.5 million;
- warranties given on the divestiture of the Group's activities in Israel in the amount of €48.3 million;
- warranties given on the divestiture of American and European wind energy activities in the amount of €27.0 million;
- warranties given to EDF in connection with the Dalkia redistribution transaction, estimated at €15.0 million.

Securities purchase commitments concern current acquisition processes.

Agreements with EDF: Further to the completion of the redistribution transaction on July 25, 2014, Veolia Environnement granted EDF a call option covering its Dalkia International, renamed Veolia Énergie International, shares exercisable should an EDF competitor take control of this company. Likewise, EDF granted Veolia Environnement a call option covering all of its Dalkia France shares, exercisable should a Veolia Environnement competitor take control. This call option is not included in the above table. This 5-years call option expires on July 25, 2019.

3.3.2 Commitments received

Commitments received relating to the consolidated scope total €290.0 million as of December 31, 2017, compared with €241.1 million as of December 31, 2016.

The increase in commitments received between December 31, 2016 and December 31, 2017 is mainly due to:

- vendor warranties relating to the acquisition of Hans Andersson (€31.1 million);
- vendor warranties relating to the acquisition of Eurologistik (€10.9 million);
- vendor warranties relating to the acquisition of Uniken (€8.5 million);
- vendor warranties received on the acquisition of Van Scherpenzeel Groep BV (€12.5 million);

offset by the termination of vendor warranties given by Severn Trent on the acquisition of Biffa in Belgium in 2006 (-€10.5 million).

NOTE 4 REPORTING BY OPERATING SEGMENT

The operating segments are components of the Group that engage in activities and whose operating results are reviewed by the Group Chairman and Chief Executive Officer (Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and assess its performance. Information presented to the Chief Operating Decision Maker is taken from the Group internal reporting system.

Financial information by operating segment is prepared in accordance with the same rules used to prepare the Consolidated Financial Statements.

In accordance with the provisions of IFRS 8 on the identification of operating segments and after taking account of regrouping criteria, the following segments are presented:

- **France;**
- **Europe excluding France;**
- **Rest of the world;**
- **Global businesses;**
- **Other,** including the various Group holding companies.

The main financial aggregates, in Group share, are also presented for the Chinese Water concessions.

The main financial indicators by operating segment are as follows:

2017 *(in € million)*	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements	Joint-ventures Data in Group share: Chinese Water concessions
Revenue	5,414.5	8,504.4	6,618.6	4,558.3	28.8	**25,124.6**	740.5
EBITDA*	788.3	1,305.0	938.3	259.8	(7.2)	**3,284.1**	160.0
Operating income after share of net income (loss) of equity-accounted entities	34.6	693.3	521.4	92.2	(56.7)	**1,284.8**	83.7
Industrial investments net of subsidies	(338.5)	(518.1)	(491.7)	(121.9)	(25.3)	**(1,495.5)**	(87.8)

* *The EBITDA indicator comprises the sum of all operating income and expenses received and paid (excluding restructuring costs, non-current impairment losses, renewal expenses and share acquisition and disposal costs) and principal payments on operating financial assets.*

2016 represented(1) *(in € million)*	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements	Joint-ventures Data in Group share: Chinese Water concessions
Revenue	5,417.7	8,083.1	6,028.4	4,626.2	31.6	**24,187.0**	714.3
EBITDA	763.2	1,307.1	864.8	262.7	21.6	**3,219.4**	155.8
Operating income after share of net income (loss) of equity-accounted entities	67.2	667.8	436.4	57.1	(35.2)	**1,193.3**	81.0
Industrial investments net of subsidies	(311.5)	(519.6)	(396.6)	(103.6)	(22.2)	**(1,353.5)**	(62.9)

(1) 2016 adjustments concern the reclassification of Lithuania in discontinued operations in accordance with IFRS 5.

Assets and liabilities break down by operating segment as follows:

As of December 31, 2017 **Assets by operating segment** *(in € million)*	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements	Joint ventures data in Group share Chinese Water concessions
Goodwill, net	1,227.5	2,210.4	763.3	711.5	3.0	**4,915.7**	264.0
Intangible assets and Property, Plant and equipment, net	1,896.8	5,615.9	3,500.6	659.6	113.9	**11,786.8**	1,844.3
Operating financial assets	95.3	965.6	540.0	13.2	-	**1,614.1**	6.5
Working capital assets, including DTA	2,413.5	2,695.5	2,353.5	2,580.3	163.8	**10,206.6**	250.3
Investments in joint-ventures	5.9	13.8	1,454.2	31.4	0.8	**1,506.1**	-
Investments in associates	-	101.1	126.8	75.8	304.1	**607.8**	12.2
Total segment assets	**5,639.0**	**11,602.3**	**8,738.4**	**4,071.8**	**585.6**	**30,637.1**	**2,377.3**
Oher unallocated assets					7,672.0	**7,672.0**	(766.1)
TOTAL ASSETS						**38,309.1**	**1,611.2**

As of December 31, 2016 **Assets by operating segment** *(in € million)*	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements	Joint-ventures Data in Group share Chinese Water concessions
Goodwill, net	1,214.2	2,154.6	716.7	761.5	3.2	**4,850.2**	279.4
Intangible assets and Property, Plant and equipment, net	1,939.0	5,525.3	3,682.1	692.8	126.3	**11,965.5**	1,979.4
Operating financial assets	82.7	991.8	601.5	19.7	-	**1,695.7**	9.1
Working capital assets, including DTA	2,750.5	2,654.0	2,460.6	2,632.0	119.6	**10,616.7**	260.4
Investments in joint ventures	9.6	9.0	1,595.1	28.1	0.8	**1,642.6**	-
Investments in associates	(1.6)	241.1	122.8	76.0	285.1	**723.4**	3.8
Total segment assets	**5,994.4**	**11,575.8**	**9,178.8**	**4,210.1**	**535.0**	**31,494.1**	**2,532.1**
Oher unallocated assets					6,455.1	**6,455.1**	(772.2)
TOTAL ASSETS						**37,949.2**	**1,759.9**

As of December 31, 2017 **Liabilities by operating segment** *(in € million)*	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements	Joint-ventures Data in Group share Chinese Water concessions
Concession liabilities	78.7	1,278.7	9.5	0.1	-	**1,367.0**	32.6
Provisions for contingencies and losses	698.9	587.2	520.4	396.3	315.8	**2,518.6**	27.5
Working capital liabilities, including OTL	3,176.0	2,643.8	2,380.8	2,411.6	475.9	**11,088.1**	745.8
Total segment assets	**3,953.6**	**4,509.7**	**2,910.7**	**2,808.0**	**791.7**	**14,973.7**	**805.9**
Oher unallocated liabilities					23,335.4	**23,335.4**	805.3
TOTAL LIABILITIES						**38,309.1**	**1,611.2**

As of December 31, 2016 **Liabilities by operating segment** *(in € million)*	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements	Joint ventures data in Group share Chinese Water concessions
Concession liabilities	87.9	1,417.9	13.2	-	-	**1,519.0**	28.7
Provisions for contingencies and losses	663.4	718.5	548.1	456.6	296.5	**2,683.1**	26.5
Working capital liabilities, including DTL	3,475.4	2,502.2	2,419.3	2,429.6	453.2	**11,279.7**	746.4
Total segment liabilities	4,226.7	4,638.6	2,980.6	2,886.2	749.7	15,481.8	801.6
Other unallocated liabilities					22,467.4	**22,467.4**	958.3
TOTAL LIABILITIES						37,949.2	1,759.9

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The EBITDA indicator reconciles with the operating cash flow, for fiscal years 2017 and 2016, as follows:

(in € million)		**2016 re-presented(1)**	**2017**
Operating cash flow before changes in working capital	(A)	2,610.2	2,671.5
o/w Operating cash flow from financing activities	(B)	3.2	(12.8)
o/w Adjusted operating cash flow	(C)= (A)-(B)	2,607.0	2,684.3
Less:	(D)		
Renewal expenses		272.4	282.5
Restructuring costs*		119	124.5
Share acquisition and disposal costs		15.5	19.3
Other		4.3	13.9
Plus:	(E)		
Principal payments on operating financial assets		201.2	159.7
EBITDA	(C)+(D)+(E)	3,219.4	3,284.1

* *In 2017, restructuring costs were primarily recognized in VWT and France Water. In 2016, restructuring costs mainly concerned Veola Environnement, VWT, the United States and the France waste businesses.*

(1) 2016 adjustments concern the reclassification of Lithuania in discontinued operations in accordance with IFRS 5.

NOTE 5 OPERATING ACTIVITIES

Environmental management services provided by Veolia include drinking water treatment and distribution services, waste water and sanitation services, and waste management and Energy business. They also encompass the design, construction and, where applicable, funding of necessary facilities to supply such services which are provided to industrial and service sector companies, public authorities and private individuals.

The range of business models used by the Group results in a variety of contractual forms specific to each business and adapted to local jurisdiction constraints and the nature and needs of customers (public or private).

The Group primarily conducts its activities under concession, construction (non-concession), lease and operation and maintenance contracts.

Concession arrangements (IFRIC 12)

In the conduct of activities, Veolia provides collective general interest services (distribution of drinking water and heating, household waste collection and/or treatment, etc.). These services are generally managed by Veolia under contracts entered into at the request of public sector bodies, which retain control over these collective services.

Concession arrangements involve the transfer of operating rights for a limited period, under the control of the local authority, using dedicated facilities built by Veolia, or made available to it for or without consideration:

- these contracts define "public service obligations" in return for remuneration. The remuneration is based on operating conditions, continuity of service, price rules and obligations with respect to the maintenance/replacement of installations. The contract determines the conditions for the transfer of installations to the local authority or a successor at its term;
- Veolia can, in certain cases, be responsible for a given service as it holds the service support network (water/heat distribution network, wastewater treatment network). Such situations are the result of full or partial privatizations. Provisions impose public service obligations and the means by which the local authority may recover control of the concession holder.

These contracts generally include price review clauses. These clauses are mainly based on cost trends, inflation, changes in tax and/or other legislation and occasionally on changes in volumes and/or the occurrence of specific events changing the profitability of the contract.

In addition, the Group generally assumes a contractual obligation to maintain and repair facilities managed under public service contracts.

The nature and extent of the Group's rights and obligations under these different contracts differ according to the public services rendered by the different Group businesses: Water, Waste, Energy.

Water

Veolia manages municipal drinking water and/or waste water services, which are described in Chapter 1, Section 1.3 of the Registration Document.

In France, these services are primarily rendered under public service delegation "affermage" contracts with a term of 8 to 20 years. They can use specific assets, such as distribution or wastewater treatment networks and drinking water or wastewater treatment plants, which are generally provided by the concession grantor and returned to it at the end of the contract.

Abroad, Veolia renders its services under contracts which reflect local legislation, the economic situation of the country and the investment needs of each partner. These contracts generally have a term of between 7 and 40 years. Contracts can also be entered into with public entities in which Veolia purchased an interest on their partial privatization. The profitability of these contracts is not fundamentally different from other contracts, but operations are based on a partnership agreement with the local authority.

Waste

Both in France and abroad, the main concession arrangements entered into by Veolia concern the treatment and recovery of waste in sorting units, landfills and incineration. These contracts have an average term of 10 to 30 years.

Energy

Veolia has developed a range of energy management activities: heating and cooling networks, thermal and multi-technical services, industrial utilities, installation and maintenance of production equipment, and integration services for the comprehensive management of buildings.

The main contracts concern the management of heating and air-conditioning networks under urban concessions or on behalf of local authorities.

In Eastern Europe, Veolia provides services under mixed partial privatizations or through public-private partnerships with local authorities responsible for the production and distribution of thermal energy.

The characteristics of these contracts vary significantly depending on the country and activities concerned.

"Financial asset model"

The Group applies the financial asset model for the accounting recognition of these concession arrangements, independently of the service or infrastructure use by customers, when the concession grantor contractually guarantees the payment of amounts specified or determined in the contract or the shortfall, if any, between amounts received from users of the public service and amounts specified or determined in the contract.

Financial assets resulting from the application of IFRIC 12 are recorded in the Consolidated Statement of Financial Position under the heading "Operating financial assets" and recognized at amortized cost.

Unless otherwise indicated in the contract, the effective interest rate is equal to the weighted average cost of capital of the entities carrying the assets concerned.

Cash flows relating to these operating financial assets are included in Net cash from (used in) investing activities in the Consolidated Cash Flow Statement.

Pursuant to IAS 39, an impairment loss is recognized if the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial EIR.

Revenue associated with this financial model includes:

- revenue recorded on a completion basis, in the case of construction operating financial assets (in accordance with IAS 11);
- the remuneration of the operating financial asset recorded in Revenue from operating financial assets (excluding principal payments);
- service remuneration.

"Intangible asset model"

The intangible asset model applies when the Group is paid by the users or when the concession grantor has not provided a contractual guarantee in respect of the recoverable amount, regardless of the service or infrastructure use by customers. The intangible asset corresponds to the right granted by the concession grantor to the operator to charge users of the public service in remuneration of concession services provided by the operator under the concession arrangement.

Intangible assets resulting from the application of IFRIC 12 are recorded in the Consolidated Statement of Financial Position under the heading "Concession intangible assets", as described in Note 1.2.4, and generally amortized on a straight-line basis over the term of the agreement.

Cash outflows, that is disbursements, relating to the construction of infrastructures under concession arrangements accounted using the "intangible asset model" are presented in "Net cash from/(used in) investing activities" in the Consolidated Cash Flow Statement, while cash inflows are presented in "Net cash from operating activities".

Under the intangible asset model, Revenue includes:

- revenue recorded on a completion basis for assets and infrastructure under construction (in accordance with IAS 11);
- service remuneration.

"Mixed or bifurcation model"

The choice of the financial asset or intangible asset model depends on the existence, or not, of payment guarantees granted by the concession grantor, independently of the service or infrastructure use by customers.

However, certain contracts may include a payment commitment on the part of the concession grantor covering only part of the investment, with the remaining balance covered by the remuneration from services charged to users.

When this is the case, the investment amount guaranteed by the concession grantor is recognized under the financial asset model and the residual balance is recognized under the intangible asset model.

Recognition of concession arrangements where existing infrastructures are made available to the Group by the concession authority in return for payment of fees

On the signature of certain concession arrangements, the infrastructures necessary to the operation of the concession already exist and are owned by the delegating authority. In such cases, the infrastructures are generally made available to the concession holder for the term of the concession arrangement in return for payments to the delegating authority for the right to use these infrastructures under the concession.

In July 2016, the IFRS Interpretations Committee clarified the appropriate accounting treatment when the concession holder is required to make fixed payments to the delegating authority for the provision of pre-existing infrastructure.

These fixed payments give rise to:

- the recognition of a liability equal to the present value of payments over the term of the concession arrangement;
- offset by the recognition of an intangible asset, where the concession arrangement is recognized using the intangible asset model, representing the right to charge users of the public service.

Payments satisfying this definition within the Group mainly concern concession arrangements recognized using the intangible asset model in Central Europe.

Regulated activities

Veolia provides drinking water and heating production and distribution services in certain legal jurisdictions where the public authorities have performed privatizations. Accordingly, Veolia owns the production and/or distribution of assets but remains subject to pricing regulations imposed by public authorities.

This is particularly the case in Eastern Europe where Veolia exercises this activity under mixed partial privatizations or public service management agreements between local subsidiaries and public authorities in charge of the production and distribution of thermal energy.

Revenue from these activities is recognized in accordance with IAS 18.

Construction contracts (IAS 11)

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets (complex sections of installations, equipment) that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose.

This type of contract is often used for design and build contracts for infrastructure necessary for water treatment/distribution and wastewater treatment activities.

Veolia recognizes income and expenses associated with construction contracts in accordance with the percentage of completion method defined in IAS 11.

These contracts are entered into with local authorities or private partners for the construction of infrastructures. They are generally fixed-price contracts as defined by IAS 11. Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably.

A breakdown of the recognition of construction contracts is presented in Note 5.6.

Service contracts including an asset lease (IFRIC 4)

These contracts generally concern outsourcing services performed for industrial/private customers either under, BOT (Build, Operate and Transfer) contracts, or incineration or cogeneration contracts under which, notably, demand or volume risk is, in substance, transferred to the prime contractor.

Services include the design, construction and financing of the construction of a specific asset/installation on behalf of the customer and the operation of the asset concerned.

These contracts are recognized in accordance with the principles set out in IFRIC 4.

Accordingly, construction revenue is recognized in accordance with the percentage of completion method and, more generally, the principles set out in IAS 11.

The service invoiced to the customer includes a component representing the operation of the specific asset/installation concerned and a second component representing the financing of the construction.

- Revenue relating to the operation of the asset is recognized on delivery of the goods or performance of the service, in accordance with IAS 18.
- The financing of construction work involves finance costs that are invoiced to the customer and recognized in Revenue, under the heading "Revenue from operating financial assets". These interests are recognized as Revenue from the start of construction work and represents remuneration received by the builder/lender.

Operation and maintenance contracts

The services rendered by Veolia do not systematically require the construction or acquisition of new infrastructure and can be provided through a variety of contractual forms tailored to the objectives and choices of customers. These services may particularly take the form of contracts for the operation and/or maintenance of installations already owned by the customer or service contracts aimed at improving the performance of these installations.

Accordingly, Veolia operates waste-to-energy plants, water production and/or distribution installations and heating networks under this type of contract recognized in accordance with IAS 18.

5.1 Revenue

Revenue represents sales of goods and services measured at the fair value of the consideration received or receivable.

Revenue from the sales of goods or services is recognized when the requisite conditions set out in IAS 18 are satisfied.

Sales of services

The provision of services represents the majority of Group activities such as the processing of waste, water distribution and related services, network operation and Energy business (heat distribution and thermal services).

Revenue from these activities is recognized when the service is rendered and it is probable that the economic benefits will flow to Group entities.

These activities involve the performance of a service agreed contractually (nature, price) with a public sector or industrial customer, within a timeframe. Billing is therefore based on the waste tonnage processed/incinerated, the volume of water distributed or the thermal power delivered, multiplied by the contractually agreed price.

It should be noted that fees and taxes collected on behalf of local authorities are excluded from Revenue when the Group does not bear the risk of payment default by third parties.

Buildings

Construction contracts mainly concern the design and construction of the infrastructures necessary for water treatment and distribution and wastewater treatment activities.

The related revenue is recognized in accordance with IAS 11, "Construction Contracts". To a lesser extent, the majority of Group concession agreements also include a construction phase (see above).

Sales of goods

Sales of goods mainly concern the sale of technological procedures and solutions relating to the treatment of water (drinking water and wastewater treatment) in Veolia Water Technologies (VWT) and sales of products related to recycling activities in the Waste business.

Revenue relating to these sales is recognized on physical delivery of the goods, which represents the transfer of the inherent risks of ownership of these goods.

As for other Income Statement headings, Revenue does not include amounts relating to discontinued operations in accordance with IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations". The results of these activities are presented in a separate line, "Net income (loss) from discontinued operations", for fiscal year 2017 and fiscal year 2016 presented for comparison purposes (see Note 3.4).

Revenue breaks down as follows:

(in € million)	2016 re-presented	2017
Sales of services	19,036.2	19,769.5
Construction	3,161.7	3,107.7
Sales of goods	1,842.5	2,114.2
Revenue from operating financial assets	146.6	133.2
REVENUE	24,187.0	25,124.6

Sales of services are primarily generated in Europe excluding France (€7,360.0 million), France (€4,567.0 million) and the Rest of the world (€6,043.3 million).

Sales of goods are primarily generated in France (€490.0 million), Germany (€525.7 million) and the United Kingdom (€263.1 million) and by Global businesses (€377.2 million). The increase in sales of services between 2016 and 2017 is mainly due to entries into the scope of consolidation in recycling activities and particularly Chemours sulphur product division in the United States for €102,6 million, Hans Andersson in Sweden for €52.3 million and Uniken in Korea for €23.1 million.

A breakdown of revenue by operating segment is presented in Note 4.

5.2 Operating income

Operating income breaks down as follows:

(in € million)	2016 re-presented	2017
Revenue	**24,187.0**	**25,124.6**
Cost of sales	**(19,988.5)**	**(20,855.2)**
o/w:		
• Renewal expenses	(272.4)	(282.5)
Selling costs	**(591.9)**	**(621.8)**
General and administrative expenses	**(2,239.3)**	**(2,227.0)**
Other operating revenue and expenses	**(268.2)**	**(234.2)**
o/w:		
• Impairment losses on goodwill of fully-consolidated companies	3.2	0.1
• Impairment losses on equity-accounted companies	-	(1.6)
• Restructuring costs	(184.5)	(157.6)
• Employee costs – share based payments	(3.3)	(1.4)
• Net impairment losses on intangible assets, property, plant and equipment and operating financial assets	(66.6)	(37.4)
• Share acquisition costs	(11.3)	(12.1)
Operating income before share of net income (loss) of equity-accounted entities	**1,099.1**	**1,186.4**
Share of net income (loss) of equity-accounted entities	**94.2**	**98.4**
Operating income after share of net income (loss) of equity-accounted entities	**1,193.3**	**1,284.8**

5.2.1 Breakdown of provisions and impairment losses on non-current assets

The carrying amount of non-financial assets, other than inventory and deferred tax assets is reviewed at each period end in order to assess the existence of any indication of loss in value (non-performance of a significant long-term contract under the terms laid down in the contract, technical operating issues, and counterparty default for operating financial assets). Where such indication exists, the recoverable amount of the asset or group of assets is estimated.

The need to recognize impairment is assessed by comparing the net carrying amount of these assets with their recoverable amount. Unless there are future prospects for the sale of these assets, the recoverable amount corresponds to their value in use, generally equal to the present value of the future cash flows expected to be derived from the asset or group of assets, taking account of any residual value. The value in use of these assets is determined based on assumptions consistent with those adopted for impairment testing of goodwill and other intangible assets with an indefinite useful life. See Note 7.1.1.

Goodwill and other assets with an indefinite useful life are subject to systematic annual impairment tests following the update of the long-term plan and more frequent tests where there is an indication of loss in value.

When the resulting recoverable amount is less than the net carrying amount of the asset or group of assets, an impairment is recorded.

Impairment losses on non-current assets can be reversed, with the exception of those relating to goodwill.

The main impairment losses on non-current assets recognized as of December 31, 2017 break down as follows:

- impairment losses on goodwill of -€1.5 million;
- impairment losses on intangible assets and property, plant and equipment of -€37.4 million, recognized particularly in the following operating segments:
  - France in the amount of -€15.5 million,
  - Rest of the world in the amount of -€10.2 million,
  - Global businesses in the amount of -€15.0 million.

The main impairment losses on non-current assets recognized as of December 31, 2016 break down as follows:

- impairment losses on goodwill of +€3.2 million;
- impairment losses on intangible assets and property, plant and equipment and operating financial assets of -€66.6 million, recognized particularly in the following operating segments:
  - Europe excluding France in the amount of -€22.8 million,
  - Global businesses in the amount of -€40.0 million.

More generally, operating depreciation, amortization, provisions and impairment losses included in operating income in **2017** break down as follows:

	2016 represented	2017		
(in € million)	Net	Charge	Reversal	Net
OPERATING DEPRECIATION, AMORTIZATION AND PROVISIONS, NET				
Depreciation and amortization	**(1,482.3)**	**(1,555.8)**	**0.3**	**(1,555.5)**
Property, Plant and equipment(*)	(863.1)	(927.0)	0.3	(926.7)
Intangible assets	(619.2)	(628.8)	-	(628.8)
Impairment losses	**(90.8)**	**(119.9)**	**82.7**	**(37.2)**
Property, Plant and equipment	(32.3)	(46.5)	23.5	(23.0)
Intangible assets and Operating financial assets	(58.5)	(73.4)	59.2	(14.2)
Impairment losses and impact of disposals on goodwill and negative goodwill recognized in the Consolidated Income Statement	**3.2**	**(1.4)**	**-**	**(1.4)**
Non-current and current operating provisions	**25.1**	**(569.9)**	**648.0**	**78.1**
Non-current operating provisions	(22.5)	(320.6)	340.8	20.2
Current operating provisions	47.6	(249.3)	307.2	57.9
OPERATING DEPRECIATION, AMORTIZATION,PROVISIONS AND IMPAIRMENT LOSSES	(1,544.8)	(2,247.0)	731.0	(1,516.0)

(*) *Including investment grants*

5.2.2 Restructuring costs

A restructuring is a program planned and controlled by Group management that significantly changes the scope of activity of the Group or the way in which this activity is managed. Accordingly, the following events can meet the definition of a restructuring: the sale or discontinuation of an activity branch, the closure of activity sites in a country or a region or the relocation of activities from one country to another or from one region to another; changes to the management structure such as the suppression of a management level; and fundamental reorganizations with a significant impact on the nature and focus of an activity.

(in € million)	2016 represented	2017
Restructuring costs	(119.0)	(124.5)
Net charges to restructuring provisions	(65.5)	(33.1)
RESTRUCTURING COSTS	(184.5)	(157.6)

Restructuring costs recognized in operating income in 2017 mainly concern France Water in the amount of -€78.1 million, VWT in the amount of -€24.6 million and the Energy business in Italy in the amount of -€8.6 million.

Restructuring costs recognized in operating income in 2016 mainly concern France Water in the amount of -€56.7 million, VWT in the amount of -€29.7 million.

5.2.3 Research and development costs

Research and developments costs total €60.2 million as of December 31, 2017 and €65.1 million as of December 31, 2016.

5.2.4 Joint ventures and associates

All equity-accounted companies, whether joint ventures or associates, with the exception of Transdev Group, represent an extension of the Group's businesses and are therefore allocated to the four operating segments.

(in € million)	2016 represented	2017
Share of net income (loss) of joint ventures	66.8	63.5
Share of net income (loss) of associates	27.4	34.9
Share of net income (loss) of equity-accounted entities	**94.2**	**98.4**

5.2.4.1 Joint ventures

Movements in investments in joint ventures, in **2017** breaks down as follows:

(in € million)	As of December 31, 2016	Net income	Dividend distribution	Change in consolidation scope	Foreign exchange translation	Other mouvements	As of December 31, 2017
Joint ventures	**1,642.6**	63.5	(58.1)	(53.7)	(98.2)	10.0	**1,506.1**

	Share of Equity		Share of net income (loss)	
(in € million)	As of December 31, 2016	As of December 31, 2017	2016 represented	2017
Chinese Water concessions	1,478.3	1,351.1	36.2	44.5
Other joint ventures	164.3	155.0	30.6	19.0
TOTAL	1,642.6	1,506.1	66.8	63.5
Impact in the Consolidated Income Statement on Net income from continuing operations (a)+(b)			66.8	63.5
Share of net income (loss) of joint ventures (a)			**66.8**	**63.5**
Impairment losses recognized in other operating revenue and expenses (b)			-	-

Chinese Water concessions

As of December 31, 2017, the Chinese Water concessions comprise a combination of approximately twenty separate legal entities in which the Group holds interests of between 21% and 50%; the most significant concessions, in terms of revenue, are Shenzhen (25% interest) and Shanghai Pudong (50% interest).

Summarized financial information (at 100%) in respect of the Chinese Water concessions is set out below. This information reflects amounts presented in the joint ventures' financial statements prepared in accordance with IFRS, adjusted to reflect fair value adjustments performed on acquisition and adjustments recorded to comply with Group accounting principles, when applying the equity method.

Summarized financial information (at 100%) – Chinese Water Concessions *(in € million)*	As of December 31, 2016	As of December 31, 2017
Current assets	1,468.4	1,293.2
Non-current assets	5,574.6	5,365.6
TOTAL ASSETS	7,043.0	6,658.8
Equity attributable to owners of the Company	3,281.7	3,075.2
Equity attributable to non-controlling interests	340.1	329.3
Current liabilities	2,193.3	2,085.8
Non-current liabilities	1,227.9	1,168.5
TOTAL EQUITY AND LIABILITIES	7,043.0	6,658.8
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	798.5	639.0
Current financial liabilities (excluding trade and other payables and provisions)	707.0	573.2
Non-current financial liabilities (excluding trade and other payables and provisions)	577.0	543.7
Income statement		
Revenue	1,977.1	2,113.4
Operating income	236.5	230.6
Net income (loss) from continuing operations	139.5	139.7
Post-tax net income (loss) from discontinued operations	-	-
Net income (loss) attributable to non-controlling interests	(19.6)	(22.0)
Net income (loss) attributable to owners of the Company at the Chinese Water concessions level	120.0	117.7
Net income (loss) for the year	139.5	139.7
Other comprehensive income for the year	(156.2)	(227.0)
Total comprehensive income for the year	(16.6)	(87.3)
The above net income (loss) for the year includes the following:		
Depreciation and amortization	(175.0)	(197.7)
Interest income	9.6	9.6
Interest expense	(56.4)	(46.2)
Income tax (expense) income	(52.1)	(56.4)
Dividends		
Dividends received	23.0	26.2

Reconciliation of the above summarized financial information on the Chinese Water concessions to the carrying amount of the interest in these joint ventures recognized in the consolidated financial statements:

(in € million)	As of December 31, 2016	As of December 31, 2017
Net assets of the Chinese Water concession joint ventures	3,281.7	3,075.2
Proportion of the Group's ownership interest in the Chinese Water concession joint ventures – weighted-average rate	30.24%	37.86%
Goodwill	253.3	239.6
Other adjustments	232.6	(52.8)
Carrying amount of the Group's interest in the Chinese Water concession joint ventures	**1,478.3**	**1,351.1**

As the Chinese Water concessions represent approximately twenty individual concessions, the percentage interest indicated in the above reconciliation is a weighted-average rate of the contribution of each concession within the combination.

The increase in the weighted average rate between 2017 and 2016 is due to a change in the weightings of the contributions and not to a change in percentage interests in the various concessions.

Accordingly, the "Other adjustments" line in the reconciliation of the summarized financial information on the Chinese Water concessions as a whole, to their carrying amount in the Consolidated Statement of Financial Position, represents the adjustment between the share in net assets obtained by applying the weighted average percentage interest for all Chinese Water concessions and the share in net assets recognized in the financial statements, calculated using the effective interest held in each of the Chinese Water concessions individually.

(in € million)	2016 represented	2017
Net income (loss) for the year of the Chinese Water concession joint ventures	120.0	117.7
Proportion of the Group's ownership interest in the Chinese Water concession joint ventures – weighted-average rate	30.24%	37.86%
Other	(0.1)	(0.1)
Group share of net income (loss) of the Chinese Water concession joint ventures	**36.2**	**44.5**

The recoverable amount of each Chinese Water concession joint venture is tested for impairment in accordance with the provisions set out in the standard. The long-term plans of the Chinese Water Concessions were extended to 2025, in order to identify standard flows for the calculation of the terminal value, as Water activities in China follow a specific economic model, with extremely long contract terms (between thirty and fifty years) and high investment flows during the initial contract years.

Given the models used and the timeframe adopted, the recoverable amounts determined are sensitive and closely monitored. They are based on a certain number of structuring assumptions such as price increases, volume trends, construction activity levels and margins and efficiency and productivity measures integrated in future cash flows, as well as on the macro-economic assumptions (discount and inflation rates) underlying the business plans.

Other joint ventures

The Group also holds interests in other joint ventures that are not individually material, with a total net carrying amount of €155.0 million as of December 31, 2017.

Unrecognized share of losses of joint ventures

As all joint ventures are partnerships in which the Group exercises joint control, the share of any losses is recognized in full at the year-end.

Transactions with joint ventures (related parties)

The Group grants loans to joint ventures. These loans are recorded in assets in the Group Consolidated Statement of Financial Position (see Note 8.1.2 "Other non-current and current financial assets").

As of December 31, 2017 and 2016, current and non-current loans granted to all these entities, totaled €117.4 million and €165.6 million, respectively. The loans were mainly granted to the Chinese Water concessions in the amount of €65.6 million and €124.1 million, respectively.

In addition, given the Group's activities, operating flows between companies are generally limited to companies operating in the same country. As such, the level of operating transactions between the Group and equity-accounted companies is not material.

However, certain contractual agreements in the Group's businesses, impose the existence of a holding company (generally equity-accounted) and companies carrying the operating contract (generally fully consolidated).

5.2.4.2 Investments in associates

It is recalled that the Group's investment in Transdev Group does not represent an extension of the Group's businesses within the meaning of the recommendation issued by the French Accounting Standards Authority (Autorité des Normes Comptables, ANC) on April 4, 2013, as the Group's continued aim is to withdraw from the transportation business. As described in Note 3.3, the residual stake in Transdev Group has been reclassified from "joint ventures" to "associates" as of December 31, 2016.

It is recorded in the amount of €304.0 million as of December 31, 2017, compared with €285.1 million as of December 31, 2016.

Movements in investments in associates in **2017** breaks down as follows:

(in € million)	As of December 31, 2016	Net income	Dividend distribution	Change in consolidation scope	Foreign exchange translation	Other mouvements	As of December 31, 2017
Investments in associates	**723.4**	56.1	(19.8)	(61.4)	(16.4)	(74.1)	**607.8**

Other movements mainly concern the transfer to assets classified as held for sale of Csatorna (Fovarosi Csatomazasi Muvek), in Hungary, for -€81.0 million.

	Share of equity		Share of net income(loss)	
(in € million)	As of December 31, 2016	As of December 31, 2017	2016	2017
Transdev Group	285.1	304.0	27.4	22.8
Fovarosi Csatomazasi Muvek	81.6	-	(3.4)	(0.4)
Siciliacque	58.0	58.5	3.1	-
Affinity Water ALtd(*)	41.1	-	3.7	-
Other non-material associates	257.6	245.3	24.0	33.7
TOTAL	723.4	607.8	54.8	56.1
Impacts on the Consolidated Income Statement				
Share of net income (loss) of equity-accounted entities in continuing operations			27.4	34.9
Impairment losses recognized in other operating revenue and expenses(**)			-	(1.6)
Share of net income (loss) of other equity-accounted entities			27.4	22.8

(*) *Formerly Rift Acquisition Holding Co sold in 2017.*
(**) *Impairment of goodwill in respect of other associates.*

5.3 Working capital

5.3.1 Working capital

Net working capital includes "operating" working capital (inventories, trade receivables, trade payables and other operating receivables and payables, tax receivables and payables other than current tax), "tax" working capital (current tax receivables and payables) and "investment" working capital (receivables and payables related to industrial investments/disposals).

In accordance with IAS 2, "Inventories", inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Commercial receivables and payables are recognized at nominal value, unless discounting at the market rate has a material impact.

Trade payables are recognized as liabilities at amortized cost in accordance with IAS 39 for accounting purposes. Short-term commercial payables without a declared interest rate are recognized at nominal value, unless discounting at the market rate has a material impact.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the contractual rights to the cash flows from the financial asset in a transaction under which substantially all the risks and rewards inherent to ownership of the financial asset are transferred. Any interest created or retained by the Group in a financial asset is recognized separately as an asset or liability.

Movements in net working capital during **2017** are as follows:

(in € million)	As of December 31, 2016	Change in business	Impairment losses	Changes in scope of consolidation	Foreign exchange translation	Other movements	As of December 31, 2017
Inventories and work-in-progress, net	719.6	1.4	5.7	26.1	(13.9)	(17.3)	721.6
Operating receivables, net	8,686.0	11.7	(14.1)	127.4	(233.3)	(49.6)	8,528.1
Operating payables	(10,199.9)	(29.7)	-	(172.9)	238.1	46.4	(10,118.0)
NET WORKING CAPITAL	(794.3)	(16.6)	(8.4)	(19.4)	(9.1)	(20.5)	(868.3)

Movements in each of these working capital categories in **2017** are as follows:

(in € million)	As of December 31, 2016	Changes in business	Impairment losses	Change in consolidation scope	Foreign exchange translation	Transfers to Assets/ liabilities classified as held for sale	Other movements	As of December 31, 2017
Inventories and work-in-progress, net	719.6	1.4	5.7	26.1	(13.9)	(14.6)	(2.7)	721.6
Operating receivables (including tax receivables other than current tax)	8,554.6	(32.1)	(14.4)	120.0	(226.6)	(76.5)	2.2	8,327.2
Operating liabilities (including operating liabilities other than current tax)	(9,839.3)	(72.6)	-	(166.3)	222.6	53.7	(10.1)	(9,812.0)
OPERATING WORKING CAPITAL (1)	(565.1)	(103.3)	(8.7)	(20.2)	(17.9)	(37.4)	(10.6)	(763.2)
Tax receivables (current tax)	122.0	46.6	-	3.2	(6.4)	(0.1)	24.7	190.0
Tax payables (current tax)	(117.3)	(8.2)	-	(6.7)	6.0	0.1	(0.5)	(126.6)
TAX WORKING CAPITAL	4.7	38.4	-	(3.5)	(0.4)	-	24.2	63.4
Receivables on non-current assets disposals	9.4	(2.8)	0.3	4.2	(0.3)	-	0.1	10.9
Industrial investment payables	(243.3)	51.1	-	0.1	9.5	0.1	3.1	(179.4)
INVESTMENT WORKING CAPITAL	(233.9)	48.3	0.3	4.3	9.2	0.1	3.2	(168.5)
NET WORKING CAPITAL	(794.3)	(16.6)	(8.4)	(19.4)	(9.1)	(37.3)	16.8	(868.3)

(1) The change in working capital presented in the Consolidated Cash Flow Statement is equal to the sum of operating working capital changes in business activity and impairment losses on operating working capital presented above.

Movements in inventories during **2017** are as follows:

Stocks *(in € million)*	As of December 31, 2016	Changes in business	Impairment losses	Reversal of impairment losses	Change in consolidation scope	Foreign exchange translation	Transfers to Assets/ liabilities classified as held for sale	Other movements	As of December 31, 2017
Raw materials and supplies	516.8	(7.3)	-	-	21.0	(10.4)	(6.6)	(2.4)	511.1
Work-in-progress	164.8	24.1	-	-	1.1	(0.9)	(9.0)	-	180.1
Other inventories(1)	105.4	(15.4)	-	-	4.6	(1.7)	-	(1.2)	91.7
INVENTORIES AND WORK-IN-PROGRESS, GROSS	787.0	1.4	-	-	26.7	(13.0)	(15.6)	(3.5)	782.9
IMPAIRMENT LOSSES ON INVENTORIES AND WORK-IN-PROGRESS	(67.4)	-	(31.4)	37.1	(0.6)	(0.9)	1.0	0.9	(61.3)
INVENTORIES AND WORK-IN-PROGRESS, NET	719.6	1.4	(31.4)	37.1	26.1	(13.9)	(14.6)	(2.7)	721.6

(1) Including CO_2 inventories.

Inventories mainly concern the Europe excluding France operating segments in the amount of €342.1 million, the Global busines in the amount of €131.9 million and the Rest of the world in the amount of €149.2 million.

Movements in operating receivables during **2017** are as follows:

Operating receivables *(in € million)*	As of December 31, 2016	Changes in business	Impairment losses(1)	Reversal of impairment losses(1)	Change in consolidation scope	Foreign exchange translation	Transfers to Assets/ liabilities classified as held for sale	Other movements	As of December 31, 2017
Trade receivables	7,313.4	(214.9)	-	-	100.0	(180.0)	(80.9)	(25.4)	6,912.2
Impairment losses on trade receivables	(785.2)	-	(173.2)	171.4	(7.5)	22.0	19.9	(0.9)	(753.5)
TRADE RECEIVABLE, NET(2)	6,528.2	(214.9)	(173.2)	171.4	92.5	(158.0)	(61.0)	(26.3)	6,158.7
Other current operating receivables	531.3	21.5	-	-	34.8	(22.3)	(5.0)	11.5	571.8
Impairment losses on other current operating receivables	(83.2)	-	(15.7)	3.7	(2.0)	1.3	-	2.5	(93.4)
OTHER OPERATING RECEIVABLES, NET	448.1	21.5	(15.7)	3.7	32.8	(21.0)	(5.0)	14.0	478.4
Other receivables(2)	698.3	123.6	(0.3)	-	(4.7)	(35.8)	(2.7)	4.5	782.9
Tax receivables	1,011.4	81.5	-	-	6.8	(18.5)	(7.9)	34.8	1,108.1
OPERATING RECEIVABLES, NET	8,686.0	11.7	(189.2)	175.1	127.4	(233.3)	(76.6)	27.0	8,528.1

(1) Impairment losses are recorded in operating income and included in the line "Changes in working capital" in the Consolidated Cash Flow Statement.
(2) Receivables recognized on a percentage of completion basis in respect of construction activities and prepayments.

Operating receivables held by the Group in countries considered high-risk by the IMF are not material in amount.

Movements in operating payables during **2017** are as follows:

Operating payables *(in € million)*	As of December 31, 2016	Changes in business	Change in consolidation scope	Foreign exchange translation	Transfers to Assets/liabilities classified as held for sale	Other movements	As of December 31, 2017
Trade payables	4,327.7	(81.1)	95.8	(98.0)	(30.4)	4.7	4,218.7
Other current operating liabilities	3,990.4	70.3	47.1	(87.8)	(17.1)	6.3	4,009.2
Other liabilities[(1)]	911.4	(10.7)	20.9	(31.5)	(0.1)	(3.8)	886.2
Tax and employee-related liabilities	970.4	51.2	9.1	(20.8)	(6.3)	0.3	1,003.9
OPERATING PAYABLES	10,199.9	29.7	172.9	(238.1)	(53.9)	7.5	10,118.0

(1) Primarily deferred income.

5.3.2 Working capital management transactions

Veolia had several programs for the assignment of receivables through factoring, discounting and assignment by way of security, still in progress in 2017.

Factoring

Under these programs, certain subsidiaries have agreed to assign, on a renewable basis, trade receivables by contractual subrogation or assignment of receivables (such as "Dailly" programs in France) without recourse against the risk of default by the debtor. The analysis of the risks and rewards as defined by IAS 39 led the Group to derecognize almost all the receivables assigned under these factoring programs. In addition, the transferor subsidiaries remain, in certain cases, responsible for invoicing and debt recovery, for which they receive remuneration but do not retain control.

Accordingly, receivables totaling €2,507.5 million were assigned under these programs in 2016, compared with €1,640.7 million in 2016. Receivables derecognized as of December 31, 2017 total €498.8 million, compared with €413.7 million as of December 31, 2016.

Discounting and assignment by way of security

Under Public-Private partnerships, Veolia subsidiaries can assign the fraction of future payments guaranteed by public authorities/private customers (recognized in financial receivables pursuant to IFRIC 12 or IFRIC 4-IAS 17) to the bodies funding the project, through discounting or assignment by way of security programs (such as Dailly programs in France). For the majority of partnerships concerned by these financial receivable assignments, the assignment agreements negotiated and the contractual clauses agreed between the stakeholders are sufficient to satisfy the derecognition criteria set out in IAS 39. The residual risk retained by the companies (considered immaterial) is generally tied solely to late customer payment due to late/deferred invoicing of services by Group subsidiaries. Group subsidiaries are mandated by the financial institutions to manage the invoicing and recovery of the receivables covered by these programs. Veolia analyzed the management and recovery procedures falling to Group subsidiaries and concluded that these services did not constitute continuing involvement.

Two assignments by way of security performed in 2005 and 2006 in connection with the specific terms and conditions of finance lease agreements entered into by the Waste activities operate differently and do not permit the derecognition of the receivables assigned. The assignment terms provide for the provision of a joint surety by the subsidiaries and their partners to the assignee financial institutions. Receivables of €59.8 million and finance lease obligations maturing in 2025 and 2026 of €58.8 million are recognized in Veolia's balance sheet as of December 31, 2017 in respect of these contracts (€64.7 million and €65.9 million, respectively, as of December 31, 2016).

In 2017, the Group also assigned tax credits totaling €68.8 million (Competitiveness and Employment tax credit and Research tax credit), through discounting. These receivables were derecognized in the Statement of Financial Position at the end of 2017.

5.4 Non-current and current operating financial assets

Operating financial assets comprise financial assets resulting from the application of IFRIC 12 on accounting for concession arrangements and from the application of IFRIC 4 on accounting for leases.

Concession arrangements

Pursuant to IFRIC 12, when the operator has an unconditional right to receive cash or another financial asset from the grantor in remuneration for concession services, the financial asset model applies. In this context, the infrastructures managed under these contracts cannot be recorded in assets of the operator as property, plant and equipment, but are recorded as financial assets.

Investment grants received in respect of concession arrangements are generally definitively earned and, therefore, are not repayable. In accordance with the option offered by IAS 20, these grants are presented as a deduction from intangible assets or financial assets depending on the applicable model following an analysis of each concession arrangement (IFRIC 12). Under the financial asset model, investment grants are equated to a means of repaying the operating financial asset.

During the construction phase, a financial receivable is recognized in the Consolidated Statement of Financial Position and revenue in the Consolidated Income Statement, in accordance with the percentage of completion method laid down in IAS 11 on construction contracts.

Financial receivables are initially measured at the lower of fair value and the sum of discounted future cash flows and subsequently recognized at amortized cost using the effective interest method.

After a review of the contract and its financing, the implied interest rate on the financial receivable is based on either the Group financing rate and/or the borrowing rate associated with the contract.

Leases

IFRIC 4 seeks to identify the contractual terms and conditions of agreements which, without taking the legal form of a lease, convey a right to use a group of assets in return for payments included in the overall contract remuneration. It identifies in such agreements a lease contract which is then analyzed and accounted for in accordance with the criteria laid down in IAS 17, based on the allocation of the risks and rewards of ownership between the lessor and the lessee.

The contract operator therefore becomes the lessor with respect to its customers. Where the lease transfers the risks and rewards of ownership of the asset in accordance with IAS 17 criteria, the operator recognizes a financial asset to reflect the corresponding financing, rather than an item of property, plant and equipment.

Movements in the net carrying amount of non-current and current operating financial assets during **2017** are as follows:

(in € million)	As of December 31, 2016	New operating financial assets[2]	Repayments/ disposals	Impairment losses[1]	Changes in consolidation scope	Foreign exchange translation	Non-current/ Current reclassification	Other movements	As of December 31, 2017
Gross	1,631.4	110.9	(1.8)	-	(2.5)	(33.9)	(113.7)	(91.9)	1,498.5
Impairment losses	(77.3)	-	-	(13.7)	-	(0.6)	-	10.0	(81.7)
NON-CURRENT OPERATING FINANCIAL ASSETS	1,554.1	110.9	(1.8)	(13.7)	(2.5)	(34.5)	(113.7)	(122.0)	1,416.8
Gross	151.1	1.8	(157.9)	-	0.3	(2.7)	113.7	101.5	207.9
Impairment losses	(9.5)	-	-	(0.5)	-	(0.5)	-	-	(10.6)
CURRENT OPERATING FINANCIAL ASSETS	141.6	1.8	(157.9)	(0.5)	0.3	(3.2)	113.7	101.5	197.3
NON-CURRENT AND CURRENT OPERATING FINANCIAL ASSETS	1,695.7	112.7	(159.7)	(14.2)	(2.2)	(37.7)	-	(20.5)	1,614.1

(1) Impairment losses are recorded in operating income.
(2) The new operating financial assets in the cash flow statement correspond to those in the above table (€112.7 million net of acquisitions debt, thus €0.3 million in 2017).

The principal **new** operating financial assets in 2017 mainly concern the increase in financial receivables for pre-existing contracts, in particular in the following operating segments:

- Europe excluding France, in the amount of €55.2 million, primarily following investments in Germany under the Braunschweig contract of €27.5 million;
- Rest of the world, in the amount of €31.2 million, primarily following investments by Société d'Energie et d'Eau in Gabon of €10.8 million.

The principal **repayments and disposals** of operating financial assets in 2017 concern the following operating segments:

- the Rest of the world in the amount of -€78.8 million;
- Europe excluding France, in the amount of -€56.2 million;
- France in the amount of -€10.5 million.

Foreign exchange translation gains and losses on non-current and current operating financial assets mainly concern movements in the pound sterling (-€13.2 million), the Chinese renminbi (-€12.7 million), the US dollar (-€5.2 million) and the Australian dollar (-€2.4 million) against the euro.

Operating financial assets held by the Group in countries considered high-risk by the International Monetary Fund are not material in amount.

Breakdown of operating financial assets by operating segment:

	As of December 31					
	Non current		Current		Total	
(in € million)	2016	2017	2016	2017	2016	2017
France	74.5	**90.5**	8.2	**4.8**	82.7	**95.3**
Europe excluding France	939.3	**915.9**	52.5	**49.7**	991.8	**965.6**
Rest of the world	522.6	**399.5**	78.9	**140.5**	601.5	**540.0**
Global businesses	17.7	**10.9**	2.0	**2.3**	19.7	**13.2**
Other	-	**-**	-	**-**	-	**-**
OPERATING FINANCIAL ASSETS	1,554.1	1,416.8	141.6	197.3	1,695.7	1,614.1

IFRIC 4 operating financial assets maturity schedule:

(in € million)	1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
France	-	-	-	-	**-**
Europe excluding France	12.5	17.8	28.7	43.4	**102.4**
Rest of the world	22.6	40.8	16.3	145.7	**225.4**
Global businesses	2.4	3.0	2.6	5.2	**13.2**
Other	-	-	-	-	**-**
TOTAL	37.5	61.6	47.6	194.3	341.0

IFRIC 12 operating financial assets maturity schedule:

(in € million)	1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
France	4.8	28.6	18.0	44.0	**95.4**
Europe excluding France	37.2	329.4	49.4	447.1	**863.1**
Rest of the world	117.8	32.6	41.7	122.5	**314.6**
Global businesses	-	-	-	-	**-**
Other	-	-	-	-	**-**
TOTAL	159.8	390.6	109.1	613.6	1,273.1

5.5 Current and non current concession liabilities

Concession financial liabilities result from the application of IFRIC12 on the accounting treatment of concessions (see Note 5).

Non-current and current concession liabilities in **2017** break down, by operating segment, as follows:

	As of December 31,					
	Non current		Current		Total	
(in € million)	2016	2017	2016	2017	2016	2017
France	77.3	**68.4**	10.6	**10.3**	87.9	**78.7**
Europe excluding France	1,310.5	**1,205.7**	107.4	**73.0**	1,417.9	**1,278.7**
Rest of the world	11.4	**7.1**	1.8	**2.4**	13.2	**9.5**
Global businesses	-	**-**	-	**0.1**	-	**0.1**
Other	-	**-**	-	**-**	-	**-**
CONCESSION LIABILITIES	1,399.2	1,281.2	119.8	85.8	1,519.0	1,367.0

5.6 Construction contracts

As disclosed in Note 5.1, Veolia recognizes income and expenses associated with construction contracts in accordance with the percentage of completion method defined in IAS 11.

The percentage of completion is determined by comparing costs incurred at the period end with total estimated costs under the contract. Costs incurred comprise costs directly attributable to the contract and borrowing costs incurred up to completion of the work. However, prospection costs, costs incurred prior to contract signature, and administrative and selling costs are expensed in the period incurred and do not therefore contribute to contract completion.

Where total contract costs exceed total contract revenue, the Group recognizes a loss to completion as an expense of the period, irrespective of the stage of completion and based on a best estimate of forecast results including, where appropriate, rights to additional income or compensation, where they are probable and can be determined reliably. Provisions for losses to completion are recorded as liabilities in the Consolidated Statement of Financial Position.

The amount of costs incurred, plus profits and less losses recognized and intermediary billings is determined on an individual contract basis. In accordance with IAS 11, where positive, this amount is recognized in assets in “amounts due from customers for construction contract work” (in “Other operating receivables”). Where negative, it is recognized in liabilities in “amounts due to customers for construction contract work” (in “Other operating payables”).

Partial payments received under construction contracts before the corresponding work has been performed, are recognized in liabilities in the Consolidated Statement of Financial Position under “advances and down-payments received”.

At each period end, a contract statement compares the amount of costs incurred, plus profits (including any provisions for losses to completion) with intermediary billings: “Construction contracts in progress/Assets” therefore represents contracts for which the costs incurred and profits recognized exceed amounts billed.

(in € million)	As of December 31, 2016	As of December 31, 2017
Construction contracts in progress/Assets (A)	291.8	187.3
Construction contracts in progress/Liabilities (B)	88.3	57.0
Construction contracts in progress/Net (A) – (B)	**203.5**	**130.3**
Costs incurred plus income and losses recognized to date (C)	2,876.3	2,824.3
Amounts billed (D)	(2,672.8)	(2,694.0)
Construction contracts in progress/Net (C) + (D)	**203.5**	**130.3**
Customer advances	**48.3**	**52.9**

5.7 Management of supply risks

As part of supply management and cost optimization measures or to hedge future production, certain Group subsidiaries may be required, depending on their activities, to contract forward purchases or sales of commodities and set-up derivatives to fix the cost of commodities supply or the selling price of commodities produced (electricity).

Commodity risks are described in Note 8.3.1.3.

5.8 Commitments relating to operating activities

5.8.1 Commitments given

Commitments given relating to operating activities comprise operating guarantees and purchase commitments.

Operational or operating guarantees encompass all commitments not relating to the financing of operations, required in respect of contracts or markets and generally given in respect of the operations and activities of Group companies. Such guarantees include bid bonds accompanying tender offers, advance payment bonds and completion or performance bonds given on the signature of contracts or concession arrangements.

The main categories of commitments include:

- commitments related to site rehabilitation:

  Pursuant to environmental texts and legislation concerning the operation of landfill sites, the Group is obliged to provide financial guarantees to local authorities/government agencies. These guarantees notably encompass the rehabilitation and supervision of the site during 30 years or more, depending on national legislation (currently 60 years in the United Kingdom), following its operation.

  In this context, performance bonds and letters of credit are issued to local authorities and other public bodies.

  Depending on the contract, these guarantees cover the costs necessary for the supervision and rehabilitation of all or part of the site.

  These guarantees are quantified in accordance with legal or contractually-defined procedures. These guarantees, which are given in their total amount from the start of operations, expire at the end of the commitment (termination of rehabilitation work and site supervision).

  Therefore, the amount of our commitment for the rehabilitation and supervision of landfill sites is in general different from the amount of the provision recorded in the Group accounts (see Note 10). Provisions calculated by the Group are based on different valuations (based on internal policies regarding site security and designed for optimal environmental protection), which take into account the progressive nature of the obligation: operation of the landfill sites results in progressive damage to the site and, as such, a related liability is recognized as the facility is operated (see Note 10).

  If the amount of the commitment is less than the provision at the balance sheet date, an off-balance sheet commitment is not disclosed. Conversely, if the amount of the commitment is greater than the provision, an off-balance sheet commitment is disclosed in the amount not provided;

- commitments related to engineering and construction activities:

  Commitments relating to engineering and construction activities primarily comprise commitments given and received in respect of Veolia Water Technologies construction activities. Commitments given in respect of the five main contracts account for approximately 56% of Veolia Water Technologies total commitments;

- commitments relating to concession arrangements:

  Pursuant to public service contracts with a public entity, the Group may be called on/obliged to invest in infrastructures that will then be operated and remunerated in accordance with contractual terms and conditions.

  The contractual commitment may concern both the financing of installations and infrastructures to be used in operations and also the maintenance and replacement of infrastructures necessary to operations.

  Expenditure relating to the replacement or rehabilitation of installations is monitored and recognized through any timing differences between the total contractual commitment over the contract term and its realization, in accordance with IAS 37 on Provisions.

  Expenditure relating to the construction, maintenance and restoration of concession assets is reviewed with respect to IFRIC 12 and detailed in Note 5.5;

- firm commodity purchase and sale commitments:

  As part of supply management and cost optimization, certain Group subsidiaries may be required, depending on their activities, to set-up derivatives to fix the cost of commodity supplies where the contracts do not offer appropriate protection or contract forward purchases or sales of commodities.

  Firm commodity purchase commitments, excluding derivatives, mainly concern:

  - gas in Energy activities (mainly in Central Europe) and Water activities. Most commitments mature in less than five years,
  - electricity in Energy activities (purchase commitments mature in less than three years due to poor liquidity in the electricity market for longer maturities),
  - biomass and coal in Energy activities.

In parallel, firm electricity sales contracts, excluding derivatives, are entered into to secure selling prices over a period of less than three years. These commitments concern production activities exposed to the electricity wholesale market and primarily Waste activities in the UK (electricity produced by waste incineration) and Energy activities in Central Europe.

Off-balance sheet commitments given break down as follows:

(in € million)	As of December 31, 2016	As of December 31, 2017	Maturing in: Less than 1 year	1 to 5 years	More than 5 years
Operational guarantees including performance bonds	9,591.0	7,941.9	3,943.9	2,410.9	1,587.1
Purchase commitments	153.7	146.4	124.8	17.1	4.5
TOTAL COMMITMENTS RELATING TO OPERATING ACTIVITIES	**9,744.7**	**8,088.3**	**4,068.7**	**2,428.0**	**1,591.6**

Commitments given break down by operating segment as follows:

(in € million)	As of December 31, 2016	As of December 31, 2017
France	216.4	**221.1**
Europe excluding France	1,246.5	**1,296.9**
Rest of the world	1,573.5	**1,489.2**
Global businesses	3,881.8	**2,488.0**
Other	2,826.5	**2,593.1**
TOTAL COMMITMENTS RELATING TO OPERATING ACTIVITIES	**9,744.7**	**8,088.3**

The decrease in commitments given between December 31, 2016 and December 31, 2017 (-€1,656.4 million) is mainly due to the lifting of performance bonds given by Veolia Water Technologies on the Al Hidd (-€315.0 million) and Fujeirah (-€682.0 million) projects.

In addition to the commitments given quantified above, Veolia has also granted commitments of an unlimited amount in respect of completion or performance bonds and a waste construction and treatment contract in Hong Kong, in the Waste and Water businesses.

These commitments are limited to the duration of the related contracts and were approved in advance by the Board of Directors of Veolia Environnement.

Total commitments given in respect of construction activities of Veolia Water Technologies amount to €2,039.0 million as of December 31, 2017, compared with €3,425.4 million as of December 31, 2016.

Commitments given in respect of joint ventures (at 100%) total €593.3 million as of December 31, 2017 compared with €705.1 million as of December 31, 2016 and mainly consist of performance bonds given to Al Wathba VB in the amount of €392.6 million and to Glen Water Holding in the amount of €81.1 million.

5.8.2 Commitments received

These commitments mainly consist of commitments received from our partners in respect of construction contracts.

They total €1,035.7 million as of December 31, 2017, compared with €1,121.7 million as of December 31, 2016.

Total commitments received in respect of Veolia Water Technologies activities amount to €518.6 million as of December 31, 2017, compared with €581.1 million as of December 31, 2016.

NOTE 6 PERSONNEL COSTS AND EMPLOYEE BENEFITS

6.1 Personnel costs and employee numbers

Personnel costs break down as follows:

(in € million)	2016 represented	2017
Employee costs	(6,952.9)	(7,000.8)
Profit-sharing and incentive schemes	(111.5)	(118.4)
Share-based compensation - IFRS 2*	(4.7)	(9.0)
PERSONNEL COSTS	(7,069.1)	(7,128.2)

* *As disclosed in Note 6.2, share-based compensation concerns the Management Incentive Plan and the Employee Savings Plan.*

Average consolidated employees* break down as follows:

By operating segment	2016	2017
France	30,575	30,779
Europe excluding France	52,786	57,598
Rest of the world	42,516	46,862
Global businesses	28,350	27,252
Other	1,998	1,894
CONSOLIDATED EMPLOYEES*	156,225	164,385

* *Consolidated employees, excluding employees of equity-accounted subsidiaries.*

By company	2016	2017
Fully-consolidated companies	156,204	164,325
Joint operations	21	60
CONSOLIDATED EMPLOYEES*	156,225	164,385

* *Consolidated employees, excluding employees of equity-accounted subsidiaries.*

6.2 Share-based compensation

6.2.1 Accounting principles

Pursuant to IFRS 2, Share-based Payment, an expense is recorded in respect of share purchase or subscription plans and other share-based compensation granted by the Group to its employees. When the plans are equity settled, the fair value of these plans at grant date is expensed in the Consolidated Income Statement and recognized directly in equity in the period in which the benefit vests and the service is rendered.

The fair value of instruments granted is calculated using the Black and Scholes model, taking into account their expected life, the risk-free interest rate, expected volatility, determined based on observed volatility in the past and dividends expected on the shares.

With regard to Group Savings Plans (GSP), the Veolia Group applies CNC recommendations (press release of December 21, 2004 in respect of Company Savings Plans and complement of February 2, 2007).

The GSP compensation expense corresponds to the difference between the subscription price and the average share price at each subscription date and to the Company's contribution to subscribers. It also takes account of the requirement to hold shares for five years. The discount for non-transferability is calculated as the difference in the value between a five-year forward sale of shares and the spot purchase of the same number of shares, financed by a loan. The whole plan expense is recognized at the end of the subscription period.

6.2.2 Veolia Environnement share purchase and subscription option plans

Veolia Environnement has implemented several standard fixed share purchase and subscription option plans, as well as a variable plan for management.

Current option plans at the end of 2017 were as follows:

	N° 8
	2010
Grant date	9/28/2010
Number of options granted	2,462,800
Number of options not exercised	0*
Plan term	8 years
Vesting conditions	4 years service plus performance conditions
Vesting method	After 4 years
Trike price *(in €)*	22.50

* *Given the failure to achieve performance criteria, validated by the Board of Directors' Meeting of March 14, 2013. In the event of a public offer for the Company's shares, 2,127,400 options would become available for exercise.*

In 2010, Veolia Environnement granted 2,462,800 share options to members of the Executive Committee (excluding the Chief Executive Officer) and three employee groups. The first group comprised Group key management, including members of the Executive Committee. The second group comprised other Group management members and the third one included high-performing executive and non-executive employees.

The options granted under the plan could only be exercised after a period of four years commencing the grant date, that is from September 29, 2014, provided the Group return on capital employed as of December 31, 2012 was at least equal to 8.4% (application of this performance criteria varies according to the employee category).

As this condition was not satisfied at the 2012 year-end, the Board of Directors' Meeting of March 14, 2013 duly noted that the options could not be exercised. In the event of a public offer for the Company's shares, 2,127,400 options would become available for exercise.

6.2.3 Employee savings plans

Veolia Environnement has set-up standard and leveraged savings plans which enable a large number of employees of Veolia Environnement and its subsidiaries to subscribe for Veolia Environnement shares. Shares subscribed by employees under these plans are subject to certain restrictions regarding their sale or transfer by employees.

No savings plans were set up in 2016 or 2017.

6.2.4 Management Incentive Plan

In October 2014, the Group introduced a long-term incentive plan, the "Management Incentive Plan" (MIP), for the Group's top executives (including the Chief Executive Officer and Executive Committee members).

This plan is based on a joint investment approach with a personal investment by the beneficiary in the Company's shares, accompanied by the grant, subject to performance conditions, of an "additional" share bonus financed by the Group (primarily through the grant of treasury shares held by the Company).

The initial investment by the beneficiary gives rise to a limited guarantee representing 80% of the value of the investment (excluding any taxes or duties payable by the beneficiary), except for the Chief Executive Officer and Executive Committee members.

The share bonus, granted in three tranches, is tied to the achievement of performance criteria (increase in the share price compared with the acquisition price on initial investment and current net income attributable to owners of the Company per share) determined at three dates (March 2016, March 2017 and March 2018) relating to the publication of the Company's 2015, 2016 and 2017 annual accounts. The three tranches do not vest until expiry of the plan in April 2018, subject to the confirmation at this date of the presence of the beneficiaries concerned and the retention by them of the shares initially invested.

The estimated fair values of the instruments are €1.59, €1.86 and €2.01 for each of the three leveraged tranches. These values were calculated using the Black and Scholes model based on the following underlying assumptions: share price and strike price of €13.04, implicit volatility of 33.94%, expected annual yield of 5.37%, risk-free interest rate of between 0.14% and 0.31% and exercise maturity of 3.5 years.

The 2015 and 2016 performance conditions were achieved. The 2017 performance condition was taken into account in calculating the number of instruments and the compensation expense.

As of December 31, 2017, 400,479 shares are invested in this plan.

An expense regarding the MIP valuation of €9.0 million is recognized in operating income in 2017.

6.3 Pension plans and other post-employment benefits

The following disclosures relate to the pension plans offered by fully consolidated entities.

6.3.1 Accounting principles

Veolia Environnement and its subsidiaries have several pension plans.

Defined contribution plans: plans under which the Group (or a Group entity) pays an agreed contribution to a separate entity, relieving it of any liability for future payments.

These obligations are expensed in the Consolidated Income Statement when due.

Defined benefit plans: all plans which do not meet the definition of a defined contribution plan. The net obligations of each Group entity are calculated for each plan based on an estimate of the amount employees will receive in exchange for services rendered during the current and past periods. The amount of the obligation is discounted to present value and the fair value of plan assets is deducted.

Where the calculation shows a plan surplus, the asset recognized is capped at the total of the discounted present value of profits, in the form of future repayments or reductions in plan contributions. The plan surplus is recognized in non-current financial assets.

Certain obligations of the Group or Group entities may enjoy a right to reimbursement, corresponding to a commitment by a third party to repay in full or in part the expenses relating to these obligations. This right to reimbursement is recognized in non-current financial assets.

The financing of defined benefit pension plans may lead the Group to make voluntary contributions to pension funds. Where applicable, these voluntary contributions are presented in Net cash from operating activities in the Consolidated Cash Flow Statement, in the same way as other employer contributions.

Employee obligations of the Group are calculated using the projected unit credit method. This method is based on the probability of personnel remaining with companies in the Group until retirement, the foreseeable changes in future compensation, and the appropriate discount rate. Specific discount rates are adopted for each monetary area. They are determined based on the yield offered by bonds issued by leading companies (rated AA) or treasury bonds where the market is not liquid, with maturities equivalent to the average term of the plans valued in the relevant region. This results in the recognition of pension-related assets or provisions in the Consolidated Statement of Financial Position and the recognition of the related net expenses.

Pursuant to IAS 19, Employee Benefits, actuarial gains and losses are recognized in other comprehensive income.

6.3.2 Description of plans

In accordance with the regulatory environment and collective agreements, the Group has established defined benefit and defined contribution pension plans (companies or multi-employer) in favor of employees and other post-employment benefits.

Defined contribution plans

Supplemental pension defined contribution plans have been set up in certain subsidiaries. Expenses incurred by the Group under these plans totaled €87 million in 2017 and €84 million in 2016.

Defined benefit plans

The tables in Note 6.3.3 present the obligations in respect of defined benefit pension plans and other post-employment benefits.

The measurement of these obligations is reflected by the DBO (Defined Benefit Obligation). These future outflow commitments may be partially or fully funded ("plan assets").

The most significant obligations are located in the United Kingdom and France.

United Kingdom

The defined benefit obligation in the United Kingdom is €1,112.6 million as of December 31, 2017 (compared with €1,187.9 million as of December 2016) and is funded by plan assets of €1,073.3 million at this date (compared with €1,069.2 million as of December 31, 2016). The increase in the defined benefit obligation is presented in the table below in Note 6.3.3.

The average duration of these plans is approximately 18 years.

In the United Kingdom, defined benefit pension plans are mainly final salary plans. Most of these plans are closed to new employees and the majority are also closed to the accrual of new rights. These plans are financed by employer contributions, or even employee contributions paid to an independent pension fund (managed by a Trustee). Local regulations ensure the independence of the pension funds, which has nine members (including five employer representatives, three representatives of active and retired employees and one independent member).

Plan rules authorize the employer to recover excess funds paid at the end of the plans.

These plans allow retirees to take part of the benefit as a lump-sum and the balance as a pension. In the case of a pension, the related risk is tied to the longevity of beneficiaries.

France

In France, the defined benefit obligation for all plans totaled €409.4 million as of December 31, 2017 (€412.5 million as of December 31, 2016) and is funded by plan assets of €89.6 million at this date (€94.9 million as of December 31, 2016). The increase in the defined benefit obligation is presented in the table below in Note 6.3.3.

Nearly 80% of the obligation relates to retirement indemnities (legally required payments) paid in a lump sum. These indemnities represent a number of months' salary based on Group seniority and are legally required by the applicable collective-bargaining agreement to be paid on an employee's retirement. A portion of these obligations is covered by insurance contracts, but this funding is at the discretion of the employer. The average duration of these plans is approximately 12 years.

The risk associated with this type of plan is legislative risk, in terms of potential adjustments to redundancy payments to which retirement indemnities are linked in certain collective bargaining agreements. Furthermore, the renegotiation of collective bargaining agreements could also generate adjustments to indemnities granted.

Multi-employer plans

Under collective agreements, some Group companies participate in multi-employer defined benefit pension plans. However, these plans are unable to provide a consistent and reliable basis for the allocation of the obligation, assets and costs between the different participating entities. They are therefore recorded as defined contribution plans in accordance with IAS 19. The multi-employer plans concern approximately 1,700 employees in 2017 and are mainly located in Germany, where such plans are generally funded by redistribution.

The corresponding expense recorded in the Consolidated Income Statement is equal to annual contributions and totals approximately €6 million in 2017, stable as compared with 2016.

6.3.3 Obligations in respect of defined benefit pension plans and other post-employment benefits

6.3.3.1 Actuarial assumptions

Actuarial assumptions used for calculation purposes vary depending on the country in which the plan is implemented.

The benefit obligation in respect of pension plans and post-employment benefits is based on the following average assumptions:

	As of December 31, 2016	As of December 31, 2017
Discount rate	**2.09%**	**2.25%**
United Kingdom	*2.65%*	*2.55%*
Euro zone	*1.60%*	*1.75%*
Inflation rate	**2.42%**	**2.36%**
United Kingdom (RPI/CPI)	*3.20%/2.20%*	*3.10% / 2.10%*
Euro zone	*1.50%*	*1.50%*

6.3.3.2 Change in the Defined Benefit Obligation (DBO)

Change in the DBO *(in € million)*	As of December 31							
	United Kingdom		France		Other countries		Total	
	2016	2017	2016	2017	2016	2017	2016	2017
Defined benefit obligation at beginning of year	**1,121.8**	**1,187.9**	**410.1**	**412.5**	**477.0**	**541.1**	**2,008.9**	**2,141.5**
Current service cost	3.3	3.6	20.6	21.3	21.0	20.5	44.9	45.4
Plan amendments or new plans (contract wins)	-	-	13.1	2.3	1.3	(0.6)	14.4	1.7
Curtailments and settlements	(11.1)	(16.8)	(8.0)	(8.5)	(2.2)	(24.0)	(21.3)	(49.3)
Interest cost	38.4	29.9	8.4	4.5	10.1	8.5	56.9	42.9
Actuarial (gains) losses	243.2	(10.9)	(15.7)	(6.7)	43.8	(8.2)	271.3	(25.8)
o/w actuarial (gains) losses arising from experience adjustments	*(7.4)*	*(23.0)*	*(6.5)*	*(7.4)*	*16.6*	*12.8*	*2.7*	*(17.6)*
o/w actuarial (gains) losses arising from changes in demographic assumptions	*(1.2)*	*(7.7)*	*(1.6)*	*0.2*	*0.8*	*0.3*	*(2.0)*	*(7.2)*
o/w actuarial (gains) losses arising from changes in financial assumptions	*251.8*	*19.8*	*(7.6)*	*0.5*	*26.4*	*(21.3)*	*270.6*	*(1.0)*
Plan participants' contributions	0.5	0.4	-	-	1.5	1.5	2.0	1.9
Benefits paid	(37.6)	(39.8)	(15.6)	(14.5)	(32.4)	(32.0)	(85.6)	(86.3)
Benefits obligation assumed on acquisition of subsidiaries	-	-	1.2	0.6	17.3	11.5	18.5	12.1
Benefits obligation transferred on divestiture of subsidiaries	-	-	(2.1)	(0.2)	-	(0.2)	(2.1)	(0.4)
Foreign exchange translation	(170.6)	(41.2)	-	-	3.7	(26.1)	(166.9)	(67.3)
Other	-	(0.5)	0.5	(1.9)	-	0.7	0.5	(1.7)
(a) Defined Benefit Obligation at the end of year	**1,187.9**	**1,112.6**	**412.5**	**409.4**	**541.1**	**492.7**	**2,141.5**	**2,014.7**

6.3.3.3 Sensitivity of the defined benefit obligation and the current service cost

The Group defined benefit obligation is especially sensitive to discount and inflation rates.

A 1% increase in the discount rate would decrease the defined benefit obligation by approximately €267 million and the current service cost of the next year by €6 million. A 1% decrease in the discount rate would increase the defined benefit obligation by €315 million and the current service cost of the next year by €7 million.

Conversely, a 1% increase in the inflation rate would increase the defined benefit obligation by approximately €210 million and the current service cost by €5 million. A 1% decrease in the inflation rate would decrease the defined benefit obligation by €185 million and the current service cost by €5 million.

6.3.4 Change in the funding status of post-employment benefit obligations and the provision

	United Kingdom		France		Other countries		Total	
(in € million)	2016	2017	2016	2017	2016	2017	2016	2017
(a) Defined Benefit Obligation at the end of year	1,187.9	1,112.6	412.5	409.4	541.1	492.7	2,141.5	2,014.7
(b) Fair value of plan assets at end of year	1,069.2	1,073.3	94.9	89.6	198.5	210.1	1,362.6	1,373.0
Funding status = (b) – (a)	**(118.7)**	**(39.3)**	**(317.6)**	**(319.8)**	**(342.6)**	**(282.6)**	**(778.9)**	**(641.7)**
Provisions	(136.3)	(54.1)	(317.6)	(320.5)	(342.6)	(282.6)	(796.5)	(657,2)(1)
Prepaid benefits (regimes with a funding surplus)	17.6	14.8	-	0.7	-	-	17.6	15.5

(1) Of which €655.8 million recognised as non current provisions and €1.4 million related to operations being discontinued - reclassified as liabilities held for sale.

Provisions for post-employment benefits total €657.2 million, compared with €796.5 million in 2016.

6.3.5 Change in plan assets

The following table presents plan assets funding obligations in respect of defined benefit pension plans and other post-employment benefits.

	As of December 31							
Change in plan assets	United Kingdom		France		Other countries		Total	
(in € million)	2016	2017	2016	2017	2016	2017	2016	2017
Fair value of plan assets at beginning of the year	**1,057.7**	**1,069.2**	**97.6**	**94.9**	**174.2**	**198.5**	**1,329.5**	**1,362.6**
Actual return on plan assets	194.5	72.9	3.8	1.9	20.2	22.1	218.5	96.9
o/w interest income	*36.2*	*27.2*	*2.2*	*1.1*	*2.4*	*1.6*	*40.8*	*29.9*
o/w return on plan assets excluding amounts included in interest income	*158.3*	*45.7*	*1.6*	*0.8*	*17.8*	*20.5*	*177.7*	*67.0*
Employer contributions	21.2	21.4	0.1	(0.2)	4.1	7.3	25.4	28.5
Plan participants' contributions	0.5	0.4	-	-	1.5	1.5	2.0	1.9
Benefits obligation assumed on acquisition of subsidiaries	-	-	0.2	0.1	11.7	7.7	11.9	7.8
Benefits obligation transferred on divestiture of subsidiaries	-	-	(0.1)	-	-	-	(0.1)	-
Settlements	(8.2)	(12.0)	-	(0.8)	(1.5)	-	(9.7)	(12.8)
Benefits paid	(37.5)	(39.8)	(6.7)	(6.2)	(13.2)	(12.8)	(57.4)	(58.8)
Administrative expenses paid by the fund	(0.7)	(0.4)	-	-	(0.1)	(0.2)	(0.8)	(0.6)
Foreign exchange translation	(158.3)	(37.9)	-	-	1.6	(14.3)	(156.7)	(52.2)
Other	-	(0.5)	-	(0.1)	-	0.3	-	(0.3)
(b) Fair value of plan assets at end of the year	**1,069.2**	**1,073.3**	**94.9**	**89.6**	**198.5**	**210.1**	**1,362.6**	**1,373.0**

Investment policy

In the United Kingdom, the investment policy is defined by the pension fund. Funding levels and the contribution payment schedule are negotiated by the employer and the Trustee, based on triennial actuarial valuations. Contributions include both the funding of the shortfall in relation to past rights and service costs for future years. In 2017, a triennial valuation was performed by three of the eight United Kingdom funds. These valuations should be completed in 2018.

United Kingdom pension funds aim to attain 100% technical coverage of liabilities within 10 years, while maintaining a risk level considered as acceptable by all parties (Trustees and employers). In order to achieve that goal, plan assets are allocated within two portfolios:

- a Liability Driven Investment portfolio (where flows best match liabilities and the value fluctuates in line with the liability value). This portfolio mainly includes inflation-linked bonds issued or guaranteed by the UK government and derivatives with leading banking counterparties, with which collateralization contracts have been signed in order to minimize counterparty risk;
- a portfolio of growth assets invested in a diverse range of asset classes (equities, bonds, diversified funds, etc.) and seeking to outperform the liabilities. Portfolio management was delegated to an external manager in January 2017.

A hedging policy covering some financial risks (particularly foreign exchange, inflation and interest rate) was implemented, in order to reduce the fund's exposure to these risks and therefore reduce the risk of increased contributions. These hedges were implemented using derivatives (currency forwards, total return swaps on gilts, interest rate swaps, etc.).

In France, the Group's assets are placed primarily with insurance companies and invested in the general insurance fund. The French General Insurance Code (*Code général des assurances*) requires insurance companies to provide a minimum rate of return on these funds, calculated primarily based on the rate offered by government bonds.

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Investment and return on assets

On average, Group pension plan assets were invested as follows:

	2016	2017
Unquoted assets	**19.1%**	**13.8%**
Liquid unquoted assets – Investment funds (general insurance fund)	8.8%	8.5%
Non-liquid unquoted assets – Investment funds(*)	8.7%	4.2%
Unquoted assets – Other	1.6%	1.1%
Quoted assets (liquid)	**80.4%**	**84.5%**
Government bonds(**)	29.2%	31.0%
Corporate bonds	3.0%	2.7%
Shares	4.9%	4.9%
Diversified Investment funds	41.7%	43.8%
Liquid quoted assets – Other	1.6%	2.1%
Liquid assets	**0.5%**	**1.7%**
TOTAL	100.0%	100.0%

(*) *The line "Non-liquid unquoted assets – Investment funds" consists of funds without guaranteed monthly liquidity (e.g. real estate funds, infrastructure funds).*
(**) *The portion of government bonds from high-risk countries is not material.*

For the entire Group, the actual rate of return on plan assets reflects market performance based on the asset investment profiles. In 2017, growth assets mainly benefited from the good performance of equity markets.

The Group plans to make contributions of €29 million to defined benefit plans in 2018.

6.3.6 Impact on comprehensive income

The net benefit cost breaks down as follows:

	As of December 31							
	United Kingdom		France		Other countries		Total	
(in € million)	2016	2017	2016	2017	2016	2017	2016	2017
Service cost	0.4	(1.3)	30.3	16.3	22.2	3.2	52.9	18.2
o/w Current service cost	*3.3*	*3.6*	*20.6*	*21.3*	*21.0*	*20.5*	*44.9*	*45.4*
o/w Past service cost	*(2.9)*	*(4.9)*	*9.7*	*(5.0)*	*1.2*	*(17.3)*	*8.0*	*(27.2)*
Net interest expense	2.2	2.7	6.2	3.4	7.7	6.9	16.1	13.0
o/w interest cost	*38.4*	*29.9*	*8.4*	*4.5*	*10.1*	*8.5*	*56.9*	*42.9*
o/w interest income on plan assets	*(36.2)*	*(27.2)*	*(2.2)*	*(1.1)*	*(2.4)*	*(1.6)*	*(40.8)*	*(29.9)*
Interest income on right to reimbursement	-	-	(0.1)	-	-	-	(0.1)	-
Administrative expenses paid by the fund	0.6	0.5	-	-	0.2	0.1	0.8	0.6
Other	-	-	2.0	(2.0)	-	-	2.0	(2.0)
Net benefit cost recognized in the Consolidated Income Statement	**3.2**	**1.9**	**38.4**	**17.7**	**30.1**	**10.2**	**71.7**	**29.8**
Return on plan assets excluding amounts included in interest income	(158.3)	(45.7)	(1.6)	(0.8)	(17.8)	(20.5)	(177.7)	(67.0)
Actuarial (gains) losses arising from experience adjustments	(7.4)	(23.0)	(6.5)	(7.4)	16.6	12.8	2.7	(17.6)
Actuarial (gains) losses arising from changes in demographic assumptions	(1.2)	(7.7)	(1.6)	0.2	0.8	0.3	(2.0)	(7.2)
Actuarial (gains) losses arising from changes in financial assumptions	251.8	19.8	(7.6)	0.5	26.4	(21.3)	270.6	(1.0)
Net benefit cost recognized in other comprehensive income	**84.9**	**(56.6)**	**(17.3)**	**(7.5)**	**26.0**	**(28.7)**	**93.6**	**(92.8)**
NET BENEFIT COST RECOGNIZED IN TOTAL COMPREHENSIVE INCOME	**88.1**	**(54.7)**	**21.1**	**10.2**	**56.1**	**(18.5)**	**165.3**	**(63.0)**

The costs in the Consolidated Income Statement are recorded in operating income, except for the net interest expense, recorded in net finance costs.

6.4 Compensation and related benefits of key management (related parties)

Group Executive Committee members and directors represent the key management personnel of the Group.

The following table summarizes amounts paid by the Group in respect of compensation and other benefits granted to members of the Company Executive Committee.

Short-term benefits include fixed and variable compensation, employee benefits and directors' fees. Variable compensation comprises amounts paid in fiscal year Y in respect of fiscal year Y-1.

(in € million)	As of December 31, 2016	As of December 31, 2017
Short-term benefits, excluding employer contributions	9.9	10.3
Employer contributions	3.9	3.5
Post-employment benefits[(a)]	0.1	0.2
Other long-term benefits[(b)]	-	-
Share-based payments	1.4	2.5
Other terms	-	-
TOTAL	15.3	16.5

(a) Current service cost.
(b) Other compensation vested but payable in the long-term.

As of December 31, 2017, total pension obligations in respect of members of the Executive Committee amount to €3.2 million, compared with €3.1 million as of December 31, 2016.

With the exception of the Chairman and Chief Executive Officer, the members of the Board of Directors receive no compensation other than directors' fees from the Company and, if applicable, from controlled companies. The total gross amount of directors' fees (before withholding tax) paid by the Company and controlled companies to directors and the non-voting members was €989,336 in 2017.

Chapter 7, Section 7.4 of the Registration Document contains detailed disclosures on the various compensation and benefits paid to key management personnel of the Group.

NOTE 7 GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

7.1 Goodwill

7.1.1 Movements in goodwill

Goodwill breaks down as follows:

(in € million)	As of December 31, 2016	As of December 31, 2017
Gross	5,963.6	6,016.1
Accumulated impairment losses	(1,113.4)	(1,100.4)
NET	4,850.2	4,915.7

7.1.1.1 Main goodwill balances by cash-generating unit

A Cash-Generating Unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For the purpose of impairment tests, goodwill is allocated, from the acquisition date, to each of the cash-generating units or each of the groups of cash-generating units that are expected to benefit from the business combination, referred to hereafter as "goodwill CGUs".

Given the Group's activities, the goodwill CGUs are below operating segments in the organizational structure and generally represent a country or group of countries.

The Group has 25 goodwill CGUs as of December 31, 2017, including nine with allocated goodwill in excess of €200 million, presented below.

The main goodwill balances in net carrying amount by goodwill CGU (amounts in excess of €200 million) are as follows:

(in € million)	As of December 31, 2016	As of December 31, 2017
British Isles	760.1	737.8
France Water	903.0	904.1
Czech Republic and Slovakia	618.3	569.2
Germany	371.0	388.2
Hazardous Waste	355.9	325.1
France Waste	311.2	323.4
VWT	290.4	274.6
Poland	238.6	252.5
North America	225.8	259.3
Goodwill balances > €200 million as of December 31, 2017	**4,074.3**	**4,034.2**
Other goodwill balances < €200 million	775.9	881.5
TOTAL GOODWILL	4,850.2	4,915.7

Goodwill balances of less than €200 million break down by operating segment as follows:

(in € million)	As of December 31, 2016	As of December 31, 2017
France	-	-
Europe excluding France	166.4	262.7
Rest of the world	491.1	504.0
Global businesses	115.2	111.8
Other	3.2	3.0
TOTAL	775.9	881.5

As of December 31, 2017, accumulated impairment losses total -€1,100.4 million and mainly concern goodwill of the Germany (-€493.0 million), North America (-€182.4 million) and Poland (-€101.5 million) cash-generating units.

7.1.1.2 Movements in the net carrying amount of goodwill

Movements in the net carrying amount of goodwill during **2017** are as follows:

(in € million)	As of December 31, 2016	Changes in consolidation scope	Foreign exchange translation	Impairment losses	Transfers to Assets classified as held for sale	Other	As of December 31, 2017
France	1,214.2	13.4	-	-	-	(0.1)	**1,227.5**
Europe excluding France	2,154.6	127.5	13.2	0.2	(85.2)	0.1	**2,210.4**
Rest of the world	716.7	116.2	(69.2)	(3.4)	(2.4)	5.4	**763.3**
Global businesses	761.5	(0.7)	(49.3)	-	-	-	**711.5**
Other	3.2	-	-	-	-	(0.2)	**3.0**
TOTAL GOODWILL	4,850.2	256.4	(105.3)	(3.2)	(87.6)	5.2	4,915.7

The main movements in Group goodwill **during 2017** were primarily due to:

- **changes in consolidation scope** in the amount of €256.4 million, including:
  - €127.5 in Europe excluding France:
    - €49.1 million in respect of the acquisition of Hans Anderson,
    - €43.6 million in respect of the acquisition of Van Scherpenzeel BV in Netherlands,
    - €29.3 million in respect of the acquisition of Corvara, in Sweden,
  - €116.2 in the Rest of the world:
    - the Chemours purchase price allocation in the amount of €38.4 million,
    - €20.5 million in respect of the acquisition of Enovity,
    - €16.2 million in respect of the acquisition of Uniken;
- **foreign exchange translation** gains and losses of -€105.3 million, mainly due to movements in the pound sterling (-€27.0 million), the US dollar (-€67.2 million) and the Czech crown (+€30.6 million) against the euro;
- **transfers to assets held for sale** of -€87.6 million, including -€85.2 million in respect of assets in Europe.

7.1.2 Impairment tests

Veolia performs systematic annual impairment tests in respect of goodwill and other intangible assets with an indefinite useful life. More frequent tests are performed where there is indication that the cash-generating unit may have suffered a loss in value.

Changes in the general economic and financial context, worsening of local economic environments, or changes in the Group's economic performance or stock market capitalization represent, in particular, external indicators of impairment that are analyzed by the Group to determine whether it is appropriate to perform more frequent impairment tests.

Goodwill impairment is recognized in operating income and is definitive.

Key assumptions underlying the determination of recoverable amounts

The need to recognize an impairment is assessed by comparing the net carrying amount of the assets and liabilities of the CGU or group of CGUs with their recoverable amount.

The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell is determined based on available information enabling the best estimate of the amount obtainable from the sale of the cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The *value in use* determined by the Group is generally equal to the present value of the future cash flows expected to be derived from the CGU or group of CGUs, taking account of their residual value and based on the following:

- cash flow projections are taken from the Long-Term Plan prepared each year and reflect changes in volumes, prices, direct costs and investment in the period, determined based on contracts and activities and in line with past data and expected changes over the period covered by the Long-Term Plan;
- this plan covers the year in progress and the next six years. This period is representative of the average duration of the Group's long-term contract portfolio and its short-term activities;
- terminal values are calculated based on discounted forecast flows for the last year of the long-term plan (2023). These flows are determined for each CGU or group of CGUs based on a perpetual growth rate which takes account of factors such as inflation;
- these terminal values are calculated based on discount rates and perpetual growth rates reflecting the country or the geographic area of the cash-generating unit;
- a discount rate (weighted average cost of capital) is determined for each asset, cash-generating unit or group of cash-generating units: it is equal to the risk-free rate plus a risk premium weighted for country-specific risks (see Note 2). The discount rates estimated by management for each cash-generating unit therefore reflect current market assessments of the time value of money and the country specific risks to which the CGU or group

of CGUs is exposed, with the other risks reflected in the expected future cash flows from the assets;

- investments included in forecast future cash flows are those investments that enable the level of economic benefits expected to arise from the assets to be maintained in their current condition. Restructuring plans to which the Group is not committed are not included in forecast cash flows used to determine values in use.

Changes in the economic and financial context, as well as changes in the competitive or regulatory environment may impact estimates of recoverable amounts, as may unforeseen changes in the political, economic or legal systems of certain countries.

The assumptions underlying the impairment tests on Group cash-generating units with material goodwill balances are as follows:

Geographic area	Recoverable amount determination period	Discount rate	Perpetual growth rate
France	Value in use	5.8%	1.5%
British Isles (United Kingdom)	Value in use	6.6%	1.8%
Germany	Value in use	5.8%	1.9%
Czech Republic and Slovakia	Value in use	6.6%	1.7%
Poland	Value in use	7.5%	2.1%
North America	Value in use	6.9%	2.2%

7.1.2.1 Impairment tests results

Impairment tests were performed on all cash-generating units. No material impairment losses were recognized in 2017.

7.1.2.2 Sensitivity of recoverable amounts

Recoverable amounts determined for impairment testing purposes were tested for their sensitivity to a 1% increase in discount rates, a 1% decrease in perpetual growth rates and a 5% decrease in operating cash flows.

The changes in operating cash flows taken into account for the purpose of these sensitivity tests include EBITDA, less investments net of divestitures, plus changes in working capital. They also include the impact of Efficiency plans launched by each cash-generating unit at the date of preparation of the Long-Term Plan.

These assumptions are considered reasonable given the Group's activities and the geographic areas of its operations.

For a certain number of cash-generating units, these tests lead to the identification of recoverable amounts lower than the net carrying amount of the cash-generating unit, adjusted where appropriate for impairments recognized during the period:

	Difference between the recoverable amount and the net carrying amount					
Cash-generating Unit *(in € million)*	Net carrying amount Data at 100%	o/w goodwill	As of December 31, 2017	With an increase in the discount rate (1%)	With an decrease in the perpetual growth rate (1%)	With a decrease in operating cash flows (5%)
Czech Republic and Slovakia	1,340.9	569.2	303.8	(18.7)	38.5	220.9
Germany	1,222.1	388.2	229.5	(105.7)	(59.2)	156.2
Mexico	208.3	48.2	9.2	(17.3)	(10.2)	(1.7)

With regards to the Poland cash-generating unit, growth perspectives lead to a recoverable amount in excess of the net carrying amount, including with a 1% increase in the discount rate, a 1% decrease in the perpetual growth rate or a 5% decrease in operating cash flows.The value of this cash-generating unit nonetheless remains sensitive to management's ability to implement the planned pricing conditions.

7.2 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. They mainly consist of certain assets recognized in respect of concession arrangements (IFRIC 12).

Intangible assets purchased separately are initially measured at cost in accordance with IAS 38. Intangible assets acquired through business combinations are recognized at fair value separately from goodwill. Subsequently, intangible assets are measured at cost less accumulated amortization and impairment losses. They are tested for impairment where there is indication of loss in value (non-performance of a significant long-term contract under the terms laid down in the contract, technical operating issues).

7.2.1 Concession intangible assets

Concession intangible assets correspond to the right of the concession holder to bill users of a public service in return for construction services provided by it to the concession grantor under public service contracts in accordance with IFRIC 12, Service Concession arrangements.

This concession holder right is equal to the fair value of the construction of the concession infrastructure plus borrowings costs recognized during the construction period. It is amortized over the contract term in accordance with an appropriate method reflecting the rate of consumption of the concession asset's economic benefits as from the date the infrastructure is brought into service.

Investment grants received in respect of concession arrangements are generally definitively earned and, therefore, are not repayable. In accordance with the option offered by IAS 20, these grants are presented as a deduction from intangible assets and reduce the amortization charge in respect of the concession intangible asset over the residual term of the concession arrangement.

Movements in the net carrying amount of concession intangible assets during 2017 are as follows:

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(in € million)	As of December 31, 2016	Additions	Disposals	Impairment losses	Amortization/ Reversals	Change in scope of consolidation	Foreign exchange translation	Transfers to Assets classified as held for sale	Other	As of December 31, 2017
Concession intangible assets, gross	7,659.1	318.1	(166.2)	-	-	11.8	(55.8)	(468.3)	(25.2)	**7,273.5**
Amortization and impairment losses	(3,883.5)	-	160.3	17.8	(450.1)	(2.0)	14.1	333.2	(12.0)	**(3,798.2)**
CONCESSION INTANGIBLE ASSETS, NET	3,775.6	318.1	(5.9)	17.8	(450.1)	9.8	(41.7)	(135.1)	(13.2)	3,475.3

Additions mainly concern France (€106.1 million), Europe excluding France (€127.8 million) and the Rest of the world (€83.4 million).

Transfers to assets classified as held for sale concern assets in Europe for €135.1 million.

Foreign exchange translation gains and losses are primarily due to movements in the pound sterling (-€25.2 million), the US dollar (-€24.2 million), the Moroccan dirham (-€18.2 million) and the Czech crown (+€42.9 million) against the euro.

Concession intangible assets break down by operating segment as follows:

		As of December 31, 2017		
(in € million)	Net carrying amount as of December 31, 2016	Gross carrying amount	Amortization and impairment losses	Net carrying amount
France	724.7	1,530.7	(829.5)	701.2
Europe excluding France	2,298.7	4,019.0	(1,925.3)	2,093.7
Rest of the world	745.8	1,701.8	(1,023.5)	678.3
Global businesses	6.4	22.0	(19.9)	2.1
Other	-	-	-	-
CONCESSION INTANGIBLE ASSETS	3,775.6	7,273.5	(3,798.2)	3,475.3

7.2.2 Other intangible assets

Other intangible assets mainly consist of entry fees paid to local authorities for public service contracts, the value of contracts acquired through business combinations ("contractual rights"), patents, licenses, software and operating rights.

Other intangible assets are amortized on a straight-line basis over their useful life, unless another systematic amortization basis better reflects the rate of consumption of the asset.

Useful lives are as follows:

	Range of useful lives in number of years*
Entry fees paid to local authorities	3 to 80
Purchased contractual rights	3 to 35
Purchased software	3 to 10
Other intangible assets	1 to 30

* *The range of useful lives is due to the diversity of intangible assets concerned*

Other intangible assets break down as follows:

(in € million)	As of December 31, 2016	As of December 31, 2017
INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE, NET	13.8	12.2
Intangible assets with a definite useful life, gross	3,291.0	3,330.4
Amortization and impairment losses	(2,292.1)	(2,325.5)
INTANGIBLE ASSETS WITH A DEFINITE USEFUL LIFE, NET	998.9	1,004.9
OTHER INTANGIBLE ASSETS, NET	1,012.7	1,017.1

Movements in the net carrying amount of other intangible assets during **2017** are as follows:

(in € million)	As of December 31, 2016	Additions	Disposals	Impairment losses	Amortization	Changes in scope of consolidation	Foreign exchange translation	Other	As of December 31, 2017
INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE, NET	13.8	0.4	-	(1.6)	-	1.9	(1.7)	(0.6)	12.2
Entry fees paid to local authorities	90.3	9.4	-	-	(17.9)	1.0	(1.4)	(4.8)	**76.6**
Purchased contractual rights	348.0	0.3	-	-	(39.5)	9.9	(15.4)	0.8	**304.1**
Purchased software	158.6	56.6	(0.9)	(12.2)	(58.0)	0.3	(5.3)	30.5	**169.6**
Purchased customer portfolios	72.0	8.3	-	0.4	(7.7)	2.4	(4.3)	2.2	**73.3**
Other purchased intangible assets	228.7	16.2	(2.0)	(0.1)	(27.2)	92.4	(20.0)	8.9	**296.9**
Other internally-developed intangible assets	101.3	25.5	(0.1)	(1.8)	(30.9)	(0.1)	(0.9)	(8.6)	**84.4**
INTANGIBLE ASSETS WITH AN DEFINITE USEFUL LIFE, NET	998.9	116.3	(3.0)	(13.7)	(181.2)	105.9	(47.3)	29.0	1,004.9
OTHER INTANGIBLE ASSETS	1,012.7	116.7	(3.0)	(15.3)	(181.2)	107.8	(49.0)	28.4	1,017.1

Intangible assets with an indefinite useful life are primarily trademarks.

Entry fees paid to local authorities in respect of public service contracts total €76.6 million as of December 31, 2017, including €55.5 million in France, compared with €90.3 million as of December 31, 2016, including €69.4 million in France. Amortization of entry fees paid at the beginning of concession arrangements, calculated over the contract term, totaled -€17.9 million in 2017, including -€13.4 million for France.

Additions mainly concern acquisitions of pieces of software in the amount of €56.6 million.

Changes in consolidation scope mainly concern incineration activities in Asia (€33.4 million), Uniken (€24.6 million) and Hans Andersson (€13.1 million).

7.3 Property, plant and equipment

Property, plant and equipment are recorded at historical acquisition cost, less accumulated depreciation and any accumulated impairment losses.

Borrowing costs attributable to the acquisition or construction of identified installations, incurred during the construction period, are included in the cost of those assets in accordance with IAS 23, Borrowing Costs.

Property, plant and equipment are recorded by component, with each component depreciated over its useful life.

Useful lives are as follows:

	Range of useful lives in number of years*
Buildings	20 to 50
Technical installations	7 to 35
Vehicles	3 to 25
Other plant and equipment	3 to 12

* *The range of useful lives is due to the diversity of tangible assets concerned.*

Property, plant and equipment are primarily depreciated on a straight-line basis, unless another systematic depreciation basis better reflects the rate of consumption of the asset.

They are tested for impairment where there is indication of loss in value.

In accordance with the option offered by IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance", investment grants are deducted from the gross carrying amount of property, plant and equipment to which they relate. When the construction of an asset covers more than one period, the portion of the grant not yet used is recorded in "Other liabilities" in the Consolidated Statement of Financial Position.

7.3.1 Movements in the net carrying amount of property, plant and equipment

Movements in the net carrying amount of property, plant and equipment during **2017** are as follows:

(in € million)	As of December 31, 2016	Additions	Disposals	Impairment losses	Depreciation	Change in scope of consolidation	Foreign exchange translation	Other movements	As of December 31, 2017
Property, plant and equipment, gross	17,818.5	1,140.9	(572.6)	-	-	345.2	(291.7)	(210.9)	**18,229.4**
Depreciation and impairment losses	(10,641.3)	-	481.4	(5.8)	(928.1)	(157.1)	127.1	188.8	**(10,935.0)**
PROPERTY, PLANT AND EQUIPMENT, NET	7,177.2	1,140.9	(91.2)	(5.8)	(928.1)	188.1	(164.6)	(22.1)	7,294.4

Additions mainly concern France (€200.2 million), Europe excluding France (€459.3 million) and the Rest of the world (€360.8 million).

Disposals, net of impairment losses and depreciation, of -€91.2 million mainly concern:

- France (-€10.8 million);
- Europe excluding France (-€50.4 million), including -€26.5 million in respect of Vilnius;
- and the Rest of the world (-€23.0 million).

Depreciation of -€928.1 million mainly concerns France (-€207.0 million), Europe excluding France (-€344.0 million) and the Rest of the world (-€251.3 million).

Foreign exchange translation gains and losses are primarily due to the appreciation of the US dollar (-€158.2 million), the Polish zloty (+€72.1 million) and the Chinese renminbi (-€35.6 million) against the euro.

Changes in consolidation scope mainly concern Europe excluding France (€186.0 million) among which Stadtreiningung Dresden Gmgh (€26.6 million), Hans Andersson (€33.7 million) and Eurologistik (€12.8 million).

Property, plant and equipment break down by operating segment as follows:

		As of December 31, 2017		
(in € million)	Net value as of December 31, 2016	Gross carrying amount	Depreciation and impairment losses	Net carrying amount
France	1,028.9	3,776.4	(2,745.1)	1,031.3
Europe excluding France	3,005.6	7,866.4	(4,566.5)	3,299.9
Rest of the world	2,479.8	4,203.5	(1,877.8)	2,325.7
Global businesses	587.1	2,177.4	(1,610.9)	566.5
Other	75.8	205.7	(134.7)	71.0
PROPERTY, PLANT AND EQUIPMENT	7,177.2	18,229.4	(10,935.0)	7,294.4

The breakdown of property, plant and equipment by class of assets is as follows:

		As of December 31, 2017		
(in € million)	Net carrying amount as of December 31, 2016	Gross carrying amount	Depreciation and impairment losses	Net carrying amount
Land	593.2	1,352.8	(715.6)	637.2
Buildings	1,193.9	2,943.3	(1,706.2)	1,237.1
Technical installations, plant and equipment	3,937.2	9,489.1	(5,612.0)	3,877.1
Travelling systems and other vehicles	540.8	2,014.4	(1,430.9)	583.5
Other property, plant and equipment	296.9	1,770.8	(1,439.7)	331.1
Property, plant and equipment in progress	615.2	659.0	(30.6)	628.4
PROPERTY, PLANT AND EQUIPMENT	7,177.2	18,229.4	(10,935.0)	7,294.4

7.3.2 Finance leases

Pursuant to IAS 17, assets financed by finance lease are initially recorded at the lower of fair value and the present value of future minimum lease payments. Subsequently, the Group does not apply the remeasurement model but the cost model in accordance with IAS 16 and IAS 38.

These assets are depreciated or amortized over the shorter of the expected useful life of the asset and the lease term, unless it is reasonably certain that the asset will become the property of the lessee at the end of the contract. This accounting policy complies with IAS 17 and Group accounting methods regarding the recognition and measurement of intangible assets and property, plant and equipment.

The Group uses finance leases to finance the purchase of certain operating property, plant and equipment and real estate assets recognized as assets in the Consolidated Statement of Financial Position.

Assets financed by **finance lease** break down by category as follows:

(in € million)	Proprety, plant and equipment	Concession intangible assets	Operating financial assets	Total
December 31, 2017	**85.5**	**11.8**	**86.5**	**183.8**
December 31, 2016	90.4	16.7	97.3	204.4

7.3.3 Operating leases

Future minimum lease payments under operating leases amount to €1,635.8 million as of December 31, 2017, compared with €1,682.1 million as of December 31, 2016.

As of December 31, 2017, future minimum lease payments under these contracts were as follows:

(in € million)	Operating lease
2018	383.4
2019 & 2020	556.4
2021 & 2022	330.6
2023 and therefater	365.4
TOTAL FUTURE MINIMUM LEASE PAYMENTS	1,635.8

Lease payments for the period break down as follows:

(in € million)	As of December 31, 2016 re-presented	As of December 31, 2017
Minimum lease payments expensed in the year	467.1	469.9
Contingent rent expensed in the year	4.3	2.3
TOTAL LEASE PAYMENTS FOR THE YEAR	471.4	472.2

Sub-lease revenue is not material.

NOTE 8 FINANCING AND FINANCIAL INSTRUMENTS

8.1 Financial assets and liabilities

Financial assets and liabilities mainly consist of:

- borrowings and other financial liabilities, presented in Note 8.1.1;
- other current and non-current financial assets, presented in Note 8.1.2;
- cash and cash equivalents and bank overdrafts and other cash position items, presented in Note 8.1.3;
- derivative instruments, presented in Note 8.3.

8.1.1 Financial liabilities

Financial liabilities include borrowings, other financing and bank overdrafts and derivative liabilities.

With the exception of trading liabilities and derivative liabilities which are measured at fair value, borrowings and other financial liabilities are recognized initially at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the estimated term of the financial instrument or, where applicable, over a shorter period, to the net carrying amount of the financial asset or liability.

	As of December 31,					
	Non-current		Current		Total	
(in € million)	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017
Bond issues	**7,705.5**	**8,901.1**	**1,291.7**	**489.5**	**8,997.2**	**9,390.6**
• maturing < 1 year	-	-	1,291.7	489.5	1,291.7	489.5
• maturing 2-3 years	1,146.5	1,591.0	-	-	1,146.5	1,591.0
• maturing 4-5 years	1,818.3	2,673.1	-	-	1,818.3	2,673.1
• maturing > 5 years	4,740.7	4,637.0	-	-	4,740.7	4,637.0
Other borrowings	**638.5**	**564.1**	**3,468.0**	**4,117.5**	**4,106.5**	**4,681.6**
• maturing < 1 year	-	-	3,468.0	4,117.5	3,468.0	4,117.5
• maturing 2-3 years	299.6	257.1	-	-	299.6	257.1
• maturing 4-5 years	138.5	121.0	-	-	138.5	121.0
• maturing > 5 years	200.4	186.0	-	-	200.4	186.0
TOTAL CURRENT AND NON-CURRENT BORROWINGS	8,344.0	9,465.2	4,759.7	4,607.0	13,103.7	14,072.2

The heading "Net increase/decrease in current borrowings" in the Consolidated Cash Flow Statement includes redemptions of current bonds in the amount of -€1,290.0 million in 2017 and increases and repayments of other current borrowings of +€574.3 million. This heading does not include accrued interest payable of -€26.6 million in 2017, presented on the line "Interest paid" in the Consolidated Cash Flow Statement.

The heading "New non-current borrowings and other debts" in the Consolidated Cash Flow Statement includes non-current bond issues in the amount of €1,800.3 million in 2017 and new other non-current borrowings of €94.0 million. However, it excludes new finance lease obligations of €8.1 million in 2017, presented in investment flows.

The heading "Principal payments on non-current borrowings and other debts" in the Consolidated Cash Flow Statement includes redemptions of non-current bonds in the amount of -€47.8 million in 2017 and principal payments on other non-current borrowings of -€61.6 million.

8.1.1.1 Changes in non-current and current bond issues

Issue of two bonds for €1.3 billion

On March 20, 2017, Veolia issued two bonds for €1.3 billion. This issuance includes a €650 million bond line maturing in March 2022 (5-year maturity) bearing a coupon of 0.672% and a €650 million bond line maturing in November 2026 (short 10-year maturity) bearing a coupon of 1.496%. Both bonds were issued at par.

€500 million bond issue

On November 16, 2017, Veolia Environnement successfully issued a €500 million 3-year zero coupon bond maturing in November 2020, with a negative actuarial yield of -0.026%.

Non-current and current bond issues break down as follows:

(in € million)	As of December 31, 2016	Increases/ subscriptions	Repayments	Changes in consolidation scope	Faire value adjustments[1]	Foreign exchange translation	Non-current/ current reclassification	Other	As of December 31, 2017
Non-current bond issues	7,705.5	1,800.3	(47.8)	20.8	(17.6)	(94.5)	(494.3)	28.7	8,901.1
Current bond issues	1,291.7	-	(1,290.0)	-	-	(6.6)	494.3	0.1	489.5
TOTAL BOND ISSUES	8,997.2	1,800.3	(1,337.8)	20.8	(17.6)	(101.1)	-	28.8	9,390.6

(1) Fair value adjustments are recorded in financial income and expenses.

Increases/subscriptions mainly concern bond issues by Veolia Environnement totaling €1.8 billion (see above).

Repayments mainly consist of scheduled payments at maturity: repayment of the euro bond line on January 16, 2017 in the nominal amount of €606 million, repayment of the euro bond line on May 19, 2017 in the nominal amount of €350 million, repayment of the Chinese renminbi bond line on June 28, 2017 in the nominal amount of €64.6 million (euro equivalent) and repayment of the euro bond line on June 29, 2017 in the nominal amount of €250 million.

Non-current/current reclassifications total €494.3 million and mainly concern the euro bond line maturing in May 2018 in the amount of €478.5 million.

Foreign exchange translation losses total -€101.1 million and mainly concern the translation at the year-end exchange rate of the GBP bond line maturing in 2037 with a euro equivalent value of €734.8 million as of December 31, 2017, of the US dollar bond line maturing in 2038 with a euro-equivalent value of €362.1 million as of December 31, 2017 and of the CNY bond line maturing in 2019 with a euro equivalent value of €127.5 million as of December 31, 2017.

Non-current **bond issues break down** by maturity as follows:

(in € million)	As of December 31, 2016	As of December 31, 2017	Maturity 2 to 3 years	Maturity 4 to 5 years	Maturity > 5 years
Publicly offered or trade issuances[(a)]	6,753.0	7,983.1	1,444.6	1,954.8	4,583.7
European market[(i)]	*6,340.2*	*7,621.0*	*1,444.6*	*1,954.8*	*4,221.6*
US market[(ii)]	*412.8*	*362.1*	*-*	*-*	*362.1*
Bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)	697.7	698.3	-	698.3	-
Panda Tranche 1	135.7	127.5	127.5	-	-
Stirling Water Seafield Finance bond issue[(b)]	65.3	57.8	11.7	13.4	32.7
Other < €50 million in 2016 and 2017	53.8	34.4	7.2	6.6	20.6
NON-CURRENT BOND ISSUES	7,705.5	8,901.1	1,591.0	2,673.1	4,637.0

(a) Publicly offered or trade issuances.
(i) European market: as of December 31, 2017, an amount of €8,099.4 million is recorded in the Consolidated Statement of Financial Position in respect of bonds issued under the European Medium Term Notes (EMTN) Program, including €7,621.0 million maturing in more than one year. The impact of the fair value remeasurement of hedged interest rate risk is €17.2 million at the year-end (non-current portion).
(ii) US market: as of December 31, 2017, remaining nominal outstandings on the bond issues performed in the United States on May 27, 2008 total US$400.0 million, maturing June 1, 2038 and paying fixed-rate interest of 6.75% (Tranche 3).
(b) Stirling Water Seafield Finance bond issue: the outstanding nominal balance as of December 31, 2017 on the amortizable bond issue performed in 1999 by Stirling Water Seafield Finance (Veolia Water UK subsidiary, Water activities), is GBP55.0 million (non-current and current portion). This bond issue is recognized at amortized cost for a euro equivalent of €57.8 million as of December 31, 2017 (non-current portion). This bond matures on September 26, 2026.

Breakdown of **non-current bond issues** by main component:

Transaction *(all amounts are in € million)*	Final maturity	Currency	Nominal	Interest rate	Net carrying amount
Series 12	11/25/2033	EUR	700	6,125%	695
Series 18	12/11/2020	EUR	431	4,375%	470
Series 23	5/24/2022	EUR	645	5,125%	684
Series 24	10/29/2037	GBP	733	6,125%	734
Series 26	4/24/2019	EUR	462	6,750%	475
Series 28 (PEO)	1/6/2021	EUR	638	4.247%	623
Series 29 (PEO)	3/30/2027	EUR	750	4.625%	673
Series 31 (PEO)	1/10/2028	EUR	500	1.590%	368
Series 33	10/4/2023	EUR	600	0.314%	599
Series 34	1/4/2029	EUR	500	0.927%	499
Series 35	3/30/2022	EUR	650	0.672%	648
Series 36	11/30/2026	EUR	650	1.496%	653
Series 37	11/23/2020	EUR	500	0.000%	500
Total bond issues (EMTN)	N/A	N/A	7,759	N/A	7,621
USD Series Tranche 3	6/1/2038	USD	334	6,750%	362
Total publicly offered or traded issuances in USD	N/A	N/A	334		362
Bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)	3/15/2021	EUR	700	N/A	698
Total bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)	N/A	N/A	700	N/A	698
Panda Tranche 1	9/2/2019	RMB	128	3,500%	128
Total private issues in renminbi	N/A	N/A	128	N/A	128
Stirling Water Seafield Finance bond issue	9/26/2026	GBP	57	5,822%	58
Total principal bond issues	N/A	N/A	8,978	N/A	8,867
Total other bond issues	N/A	N/A		N/A	34
TOTAL NON-CURRENT BOND ISSUES	N/A	N/A		N/A	8,901

8.1.1.2 Changes in other financial liabilities

(in € million)	As of December 31, 2016	Net movement	Changes in consolidation scope	Fair value adjustments	Foreign exchange translation	Non-current/current reclassification	Transfers to Liabilities classified as held for sale	Other	As of December 31, 2017
Other non-current financial liabilities	638.5	32.4	59.5	(0.2)	(25.8)	(139.2)	-	(1.1)	564.1
Other current financial liabilities	3,468.0	574.3	114.3	0.6	(171.3)	139.2	(1.3)	(6.3)	4,117.5
OTHER FINANCIAL LIABILITIES	4,106.5	606.7	173.8	0.4	(197.1)	-	(1.3)	(7.4)	4,681.6

Movements in financial liabilities during **2017** are as follows:

Other non-current financial liabilities mainly comprise:

- finance lease obligations (€135.7 million as of December 31, 2017 and €154.3 million as of December 31, 2016);
- debt carried by:
  - Redal and Amendis in Morocco (Water) of €36.9 million and €23.9 million, respectively, as of December 31, 2017 against €73.0 million and €34.2 million, respectively, as of December 31, 2016,
  - International Water Services Guayaquil Interagua in Ecuador (Water) of €52.0 million as of December 31, 2017 and €33.6 million as of December 31, 2016,
  - Veolia Sunshine (Harbin) Heat Power in China (Energy) of €23.5 million as of December 31, 2017 and €37.5 million as of December 31, 2016,
  - Veolia Energy North America (United States) of €28.5 million as of December 31, 2017 and €34.2 million as of December 31, 2016,
  - Stadtwerke Gorlitz (Germany) of €29.7 million and €27.0 million as of December 31, 2016.

Changes in consolidation scope mainly concern the acquisition of control of Hangzhou in China in the amount of €12.2 million and SRD in Germany in the amount of €14.6 million.

Other current financial liabilities total €4,117.5 million as of December 31, 2017, compared with €3,468.0 million as of December 31, 2016.

Net movements in other current financial liabilities in 2017 mainly reflect the increase in treasury notes issued in the amount of €726.8 million.

Changes in consolidation scope mainly concern the acquisition of a plastic recycling business in Sweden (Hans Andersson) in the amount of €16.1 million and in the Netherlands (Van Scherpenzeel) in the amount of €17.3 million and debts recognized following the full consolidation of two Italian companies in the amount of €28.5 million.

As of December 31, 2017, other current financial liabilities mainly concern:

- Veolia Environnement for €3,636.4 million (including treasury notes of €3,491.6 million and accrued interest on debt of €142.7 million);
- certain subsidiaries of the “Other” segment in the amount of €26.5 million;
- France in the amount of €59.5 million;
- Europe excluding France in the amount of €144.1 million;
- the Rest of the world segment in the amount of €223.1 million;
- Global businesses in the amount of €27.9 million.

The current portion of Group finance lease obligations is €35.8 million as of December 31, 2017, compared with €33.2 million as of December 31, 2016.

8.1.1.3 Breakdown of non-current and current financial liabilities by currency

Financial liabilities are primarily denominated in euro, pound sterling and US Dollar.

Financial liabilities break down by original currency (before currency swaps) as follows:

- euro-denominated debts total €12,015.3 million as of December 31, 2017 and €10,716.3 million as of December 31, 2016;
- pound sterling-denominated debts total €835.1 million as of December 31, 2017 and €893.2 million as of December 31, 2016;
- US dollar-denominated debts total €667.9 million as of December 31, 2017 and €858.6 million as of December 31, 2016.

8.1.2 Non-current and current financial assets

Financial assets include assets classified as available-for-sale and held-to maturity, assets at fair value through profit or loss, derivative assets, loans and receivables and cash and cash equivalents.

Financial assets are initially recognized at fair value plus transaction costs, where the assets concerned are not subsequently measured at fair value through profit or loss. Where the assets are measured at fair value through profit or loss, transaction costs are expensed directly to net income.

The Group classifies financial assets in one of the four categories identified by IAS 39 on the acquisition date.

Held-to maturity assets

Held-to-maturity assets are exclusively financial assets with fixed or determinable payments and fixed maturities, other than loans and receivables that the Group acquires with the positive intention and ability to hold to maturity. After initial recognition at fair value, held-to-maturity assets are recognized and measured at amortized cost using the effective interest rate method (EIR).

Held-to-maturity assets are reviewed for objective evidence of impairment. An impairment loss is recognized if the carrying amount of the financial asset exceeds the present value of future cash flows discounted at the initial effective interest rate (EIR). The impairment loss is recognized the consolidated income statement.

Net gains and losses on held-to-maturity assets consist of interest income and impairment losses.

Available-for-sale assets

Available-for-sale assets mainly consist of non-consolidated investments and marketable securities that do not qualify for inclusion in other financial asset categories. They are measured at fair value, with fair value movements recognized directly in other comprehensive income, except where there is a material or long-term unrealized capital loss. This can arise when future cash flows decrease to such an extent that the fair value of these assets falls materially or long-term below the historical cost. Where this is the case, the impairment loss is recognized in the Consolidated Income Statement. Impairment reversals are recognized in profit or loss for debt securities only (receivables and bonds).

Amounts recognized in other comprehensive income are reclassified to profit or loss on the sale of the available-for-sale assets. Fair value is equal to market value in the case of quoted securities and to an estimate of the fair value in the case of unquoted securities, determined based on financial criteria most appropriate to the specific situation of each security. Non-consolidated investments which are not quoted in an active market and for which the fair value cannot be measured reliably, are recorded by the Group at historical cost less any accumulated impairment losses.

Net gains and losses on available-for-sale assets consist of interest income, dividends, impairment losses and capital gains and losses on disposals.

Loans and receivables

This category includes loans to non-consolidated investments, operating financial assets, other loans and receivables and trade receivables. After initial recognition at fair value, these instruments are recognized and measured at amortized cost using the effective interest rate method.

An impairment loss is recognized if, where there exists an indication of impairment, the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial EIR. The impairment loss is recognized the consolidated income statement.

The impairment of trade receivables is calculated using two methods:

- a statistical method: this method is based on past losses and involves the application of a provision rate by category of aged receivables. The analysis is performed for a group of similar receivables, presenting similar credit characteristics as a result of belonging to a customer category and country;
- an individual method: the probability and amount of the loss is assessed on an individual case basis in particular for non-State public debtors (past due period, other receivables or payables with the counterparty, rating issued by an external rating agency, geographical location).

Net gains and losses on loans and receivables consist of interest income and impairment losses.

Assets and liabilities at fair value through profit or loss

This category includes:

- trading assets and liabilities acquired by the Group for the purpose of selling them in the near term and which form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives not qualifying for hedge accounting are also considered trading assets and liabilities;
- assets designated at fair value and primarily the portfolio of cash UCITS whose performance and management is based on fair value.

Changes in the value of these assets are recognized in the Consolidated Income Statement.

Net gains and losses on assets at fair value through the Consolidated Income Statement consist of interest income, dividends and fair value adjustments.

Net gains and losses on derivatives entered into for trading purposes consist of swapped flows and the change in the value of the instrument.

8.1.2.1 Other non-current and current financial assets

Other non-current and current financial assets break down as follows:

	Non-current		Current		Total	
(in € million)	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017
Gross	443.4	402.7	321.6	261.9	765.0	664.6
Impairment losses	(82.5)	(69.7)	(44.1)	(32.9)	(126.6)	(102.6)
FINANCIAL ASSETS IN LOANS AND RECEIVABLES, NET	360.9	333.0	277.5	229.0	638.4	562.0
OTHER FINANCIAL ASSETS	16.1	11.2	2.8	5.1	18.9	16.3
LIQUID ASSETS AND FINANCING FINANCIAL ASSETS	8.6	4.4	4.4	170.5	13.0	174.9
TOTAL OTHER FINANCIAL ASSETS, NET	385.6	348.6	284.7	404.6	670.3	753.2

8.1.2.2 Changes in other non-current financial assets

Changes in the value of other non-current financial assets during **2017** are as follows:

(in € million)	As of December 31, 2016	Additions	Repay-ments/ disposals	Changes in conso-lidation scope	Impair-ment losses(1)	Foreign exchange translation	Non-current/ current reclassifi-cation	Transfers to Assets classified as held for sale	Other	As of December 31, 2017
Gross	443.4	188.0	(193.5)	1.0	(2.5)	(25.1)	(8.7)	(0.6)	0.7	402.7
Impairment losses	(82.5)	-	-	-	0.1	9.1	3.5	-	0.1	(69.7)
NON-CURRENT FINANCIAL ASSETS IN LOANS AND RECEIVABLES, NET	360.9	188.0	(193.5)	1.0	(2.4)	(16.0)	(5.2)	(0.6)	0.8	333.0
OTHER NON-CURRENT FINANCIAL ASSETS	16.1	1.3	(3.7)	0.2	(1.9)	(0.1)	(0.6)	(0.2)	0.1	11.2
LIQUID ASSETS AND FINANCING FINANCIAL ASSETS	8.6	4.1	(3.5)	-	-	(0.7)	(4.0)	-	(0.1)	4.4
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS, NET	385.6	193.4	(200.7)	1.2	(4.3)	(16.8)	(9.8)	(0.8)	0.8	348.6

(1) Impairment losses are recorded in financial income and expenses.

Non-current financial assets relating to loans and receivables

As of December 31, 2017, the main non-current financial assets in loans and receivables primarily comprised loans granted to equity-accounted joint ventures totaling €85.8 million, compared with €132.3 million as of December 31, 2016.

These loans mainly comprise loans granted to the Chinese Water concessions in the amount of €58.4 million.

Other non-current financial assets

Other non-current financial assets are classified as "Available-for-sale assets" in accordance with the principles set out in Note 8.1.2.

Other financial assets held by the Group in countries considered high-risk by the IMF are not material in amount.

8.1.2.3 Movements in current financial assets

Movements in other current financial assets during **2017** are as follows:

(in € million)	As of December 31, 2016	Changes in business	Changes in consolidation scope	Fair value adjustments	Impairment losses[1]	Foreign exchange translation	Non-current/current reclassification	Transfers to Assets classified as held for sale	Other	As of December 31, 2017
Gross	321.6	(37.7)	2.4	-	(9.6)	(13.0)	8.6	(1.0)	(9.4)	261.9
Impairment losses	(44.1)	-	(0.5)	-	8.4	2.5	(3.5)	-	4.3	(32.9)
CURRENT FINANCIAL ASSETS IN LOANS AND RECEIVABLES, NET	277.5	(37.7)	1.9	-	(1.2)	(10.5)	5.1	(1.0)	(5.1)	229.0
OTHER CURRENT FINANCIAL ASSETS	2.8	(4.1)	3.1	0.3	-	(0.3)	0.6	-	2.7	5.1
LIQUID ASSETS AND FINANCING FINANCIAL ASSETS	4.4	162.6	-	-	-	(0.6)	4.1	-	-	170.5
TOTAL OTHER CURRENT FINANCIAL ASSETS, NET	284.7	120.8	5.0	0.3	(1.2)	(11.4)	9.8	(1.0)	(2.4)	404.6

(1) Impairment losses are recorded in financial income and expenses.

The accounting treatment of other current financial assets relating to loans and receivables complies with the required treatment of loans and receivables as defined by IAS 39. Other financial assets are classified as available-for-sale assets in accordance with the accounting principles described in Note 8.1.2.

8.1.3 Cash and cash equivalents, bank overdrafts and other cash position items

Cash and cash equivalents include all cash balances, certain term deposit accounts, negotiable debt instruments and UCITS.

Cash equivalents are held to meet short-term cash commitments. In order to be considered a cash equivalent, an investment must be readily convertible to a known amount of cash and subject to a negligible risk of change in value, thereby satisfying the requirements of IAS 7.

Term deposit accounts and negotiable debt instruments present characteristics satisfying the requirements of IAS 7 when their yield is based on short-term money-market rates (such as Eonia) and their maturity is less than three months (contractually or due to an early exit option exercisable at least every three months and held at a low or nil cost, without loss of capital or remuneration received net of the early exit penalty of less than the yield on short-term investments).

UCITS classified in "cash equivalents" comply with Directive 2009/65/EC of the European Commission of July 13, 2009 and constitute short-term monetary UCITS or monetary UCITS (pursuant to the AMF classification no. 2005-02 of January 25, 2005, as amended on May 3, 2011).

Pursuant to AMF Position no. 2011-13 of September 23, 2011, these UCITS are presumed to satisfy the cash equivalent criteria defined by IAS 7. These UCITS can be sold daily on demand, conferring on them the characteristics of short-term, highly liquid investments that are readily convertible to known amounts of cash. These instruments are not intended to be held more than three months and offer a yield similar to the Eonia (European Overnight Index Average) interbank rate, thereby limiting sensitivity to interest rates. The regularity of performance trends does not expose them to a material risk of change in value.

Bank overdrafts repayable on demand which form an integral part of the Group's cash management policy represent a component of cash and cash equivalents for the purposes of the Consolidated Cash Flow Statement.

Cash and cash equivalents are valued at fair value through profit or loss. Note 8.2.1 sets out the method of determining fair value. Cash and cash equivalents belong to fair value levels 1 and 2:

- instruments with a quoted price in an active market in level 1;
- other instruments that are not quoted but the fair value of which is determined using valuation techniques involving standard mathematical calculation methods integrating observable market data, in level 2.

8.1.3.1 Movements in cash and cash equivalents

Movements in cash and cash equivalents and bank overdrafts and other cash position items during **2017** are as follows:

(in € million)	As of December 31, 2016	Changes in business	Changes in consolidation scope	Fair value adjustments[1]	Foreign exchange translation	Transfer to Assets/ Liabilities classified as held for sale	Other movements	As of December 31, 2017
Cash	864.9	(22.8)	56.0	-	(24.4)	(2.3)	1.4	872.8
Cash equivalents	4,656.5	730.9	9.4	-	(5.0)	(1.2)	0.5	5,391.1
CASH AND CASH EQUIVALENTS	5,521.4	708.1	65.4	-	(29.4)	(3.5)	1.9	6,263.9
Bank overdrafts and other cash position items	**246.8**	**(39.4)**	**14.4**	**-**	**(12.3)**	**-**	**(0.6)**	**208.9**
Net cash	**5,274.6**	**747.5**	**51.0**	**-**	**(17.1)**	**(3.5)**	**2.5**	**6,055.0**

(1) Fair value adjustments are recognized in net finance costs.

Cash and cash equivalents total €6,263.9 million, including €288.1 million "subject to restrictions" as of December 31, 2017.

The increase in net cash mainly reflects the change in bond issues, with issues of a nominal amount of €1.8 billion exceeding repayments of a nominal amount of €1.3 billion, the increase in treasury notes of €726.8 million and the increase in liquid asset investments of €150 million not classified as cash for accounting purposes.

As of December 31, 2017, the France segment held cash of €38.5 million, the Europe excluding France segment held cash of €213.8 million, the Rest of the world segment held cash of €272.1 million, the Global businesses segment held cash of €136.7 million and the Other segment held cash of €211.7 million (including €89.3 million held by Veolia Environnement).

Surplus cash balances of other Group subsidiaries, not pooled at Veolia Environnement level, are invested in accordance with procedures defined by the Group. Note 8.3.2, "Management of liquidity risk", presents a breakdown of investments by nature.

As of December 31, 2017, cash equivalents were primarily held by Veolia Environnement in the amount of €5,266.7 million, including UCITS of €4,314.3 million and term deposit accounts of €950.1 million.

Bank overdrafts and other cash position items consist of credit balances on bank accounts and related accrued interest payable, corresponding to brief overdrafts.

8.1.3.2 Management of equity risk

As part of its cash management strategy, Veolia Environnement holds UCITS. These UCITS have the characteristics of monetary UCITS and are not subject to equity risk.

8.2 Fair value of financial assets and liabilities

8.2.1 Principles

The recognition and measurement of financial assets and liabilities is governed by IAS 39. Fair value measurement incorporates, in particular, the risk of non-performance by the Group or its counterparties, determined based on default probabilities taken from rating agency tables.

The fair value of all financial assets and liabilities is determined at the period end; either for recognition in the accounts or disclosure in the notes to the financial statements.

Fair value is determined:

i. based on quoted prices in an active market (level 1);

ii. using internal valuation techniques involving standard mathematical calculation methods integrating observable market data (forward rates, interest rate curves, etc.). Valuations produced by these models are adjusted to take account of a reasonable change in the credit risk of the Group or the counterparty (level 2);

iii. using internal valuation techniques integrating factors estimated by the Group in the absence of observable market data (level 3).

Quoted prices in an active market (level 1)

When quoted prices in an active market are available, they are used in priority for the determination of the market value. Marketable securities and certain quoted bond issues are valued in this way.

Fair values determined using models integrating observable market data (level 2)

The majority of derivative instruments (swaps, caps, floors, etc.) are traded over the counter and, as such, there are no quoted prices. Valuations are therefore determined using models commonly used by market participants to value such financial instruments.

Valuations calculated internally in respect of derivative instruments are tested every six months for consistency with valuations issued by our counterparties.

The fair value of unquoted borrowings is calculated by discounting contractual flows at the market rate of interest.

The net carrying amount of receivables and payables falling due within less than one year and certain floating-rate receivables and payables is considered a reasonable estimate of their fair value, due to the short payment and settlement periods applied by the Group.

The fair value of fixed-rate loans and receivables depends on movements in interest rates and the credit risk of the counterparty.

Valuations produced by these models are adjusted to take account of changes in Group credit risk.

Fair values determined using models integrating certain non-observable data (level 3)

Derivative instruments valued using internal models integrating certain non-observable data include certain electricity derivative instruments for which there are no quoted prices in an active market (notably for electricity purchase options with extremely long maturity) or observable market data (forward prices for component materials, interest-rate curves, etc.), in particular for distant maturities.

8.2.2 Financial assets

The following tables present the net carrying amount and fair value of Group financial assets as of December 31, 2017, grouped together in accordance with IFRS 7 categories.

		As of December 31, 2017							
		Net carrying amount	Financial assets at fair value			Fair value	Method for determining fair value		
(in € million)	Note	Total	Available-for-sale assets	Lans and receivables	Assets at fair value through the Consolidated Income Statement	Total	Level 1	Level 2	Level 3
Non-consolidated investments		70.6	70.6	-	-	70.6	-	70.6	-
Non-current and current operating financial assets	Note 5.4	1,614.1	-	1,614.1	-	1,809.5	-	1,809.5	-
Other non-current financial assets	Note 8.1.2	348.6	15.6	333.0	-	348.6	-	348.6	-
Trade receivables	Note 5.3	6,158.7	-	6,158.7	-	6,158.7	-	6,158.7	-
Other current operating receivables	Note 5.3	478.4	-	478.4	-	478.4	-	478.4	-
Other current financial assets	Note 8.1.2	404.6	175.6	229.0	-	404.6	-	404.6	-
Non-current and current derivative instruments	Note 8.3	97.0	-	-	97.0	97.0	-	97.0	-
Cash and cash equivalents	Note 8.1.3	6,263.9	-	-	6,263.9	6,263.9	5,187.2	1,076.7	-
TOTAL		15,435.9	261.8	8,813.2	6,360.9	15,631.3	5,187.2	10,444.1	-

Level 2 cash and cash equivalents mainly consist of negotiable debt instruments and term deposit accounts.

8.2.3 Financial liabilities

The following tables present the net carrying amount and fair value of Group financial liabilities as of December 31, 2017, grouped together in accordance with IFRS 7 categories.

		As of December 31, 2017							
		Net carrying amount	Financial liabilities at fair value			Fair value	Method for determining fair value		
(in € million)	Note	Total	Liabilities at amortized cost	Liabilities at fair value through the Consolidated Income Statement	Liabilities at fair value through the Consolidated Income Statement and held for trading	Total	Level 1	Level 2	Level 3
Borrowings and other financial liabilities									
Non-current bond issues	Note 8.1.1	8,901.1	8,901.1	-	-	10,481.5	10,383.2	98.3	-
Other non-current borrowings	Note 8.1.1	564.1	564.1	-	-	603.3	-	603.3	-
Current borrowings	Note 8.1.1	4,117.5	4,117.5	-	-	4,117.5	-	4,117.5	-
Bank overdrafts and other cash position items	Note 8.1.3	208.9	208.9	-	-	208.9	-	208.9	-
Trade payables	Note 5.3	4,218.7	4,218.7	-	-	4,218.7	-	4,218.7	-
Non-current and current concession liabilities	Note 5.5	1,367.0	1,367.0	-	-	1,367.0	-	1,367.0	-
Non-current and current derivative instruments	Note 8.3	157.5	-	157.5	-	157.5	-	112.8	44.7
Other operating payables	Note 5.3	4,009.2	4,009.2	-	-	4,009.2	-	4,009.2	-
TOTAL		23,544.0	23,386.5	157.5	-	25,163.6	10,383.2	14,735.7	44.7

8.2.4 Offsetting of financial assets and financial liabilities

As of December 31, 2017, derivatives managed under ISDA or EFET agreements are the only financial assets and/or liabilities covered by a legally enforceable master netting agreement. These instruments may only be offset in the event of default by one of the parties to the agreement; therefore they are not presented on a net basis in the Statement of Financial Position.

Such derivatives are recognized in assets in the amount of €97.0 million and in liabilities in the amount of €157.5 million in the Consolidated Statement of Financial Position as of December 31, 2017.

8.3 Market risks and financial instruments

Derivative instruments

The Group uses various derivative instruments to manage its exposure to interest rate and foreign exchange risks resulting from its operating, financial and investment activities. Certain transactions performed in accordance with the Group interest rate and foreign exchange risk management policy do not satisfy hedge accounting criteria and are recorded as trading instruments.

Derivative instruments are recognized at fair value in the Consolidated Statement of Financial Position. Other than the exceptions detailed below, changes in the fair value of derivative instruments are recorded through profit or loss. The fair value of derivatives is estimated using standard valuation models which take into account active market data.

Net gains and losses on instruments at fair value through profit or loss consist of swapped flows and changes in the value of the instrument.

Derivative instruments may be designated as hedges under one of three types of hedging relationship: fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation:

- a fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability, or an identified portion of such an asset or liability, that is attributable to a specific risk (primarily interest rate or foreign exchange risk), and could affect profit or loss for the period;

- a cash flow hedge is a hedge of exposure to variability in cash flows that is attributable to a specific risk associated with a recognized asset or liability or a highly probable forecast transaction (such as a planned purchase or sale) and could affect profit or loss for the period;
- a hedge of a net investment in a foreign operation hedges the exposure to foreign exchange risk of the net assets of a foreign operation including loans considered part of the investment (IAS 21, The Effects of Changes in Foreign Exchange Rates).

An asset, liability, firm commitment, future cash flow or net investment in a foreign operation qualifies for hedge accounting if:

- the hedging relationship is precisely defined and documented at the inception date;
- the effectiveness of the hedge is demonstrated at inception and by regular verification of the offsetting nature of movements in the market value of the hedging instrument and the hedged item. The ineffective portion of the hedge is systematically recognized in the Consolidated Income Statement.

The use of hedge accounting has the following consequences, in the case of:

- fair value hedges of existing assets and liabilities, the hedged portion of these items is measured at fair value in the Consolidated Statement of Financial Position. The gain or loss on remeasurement is recognized in the Consolidated Income Statement, where it is offset against matching gains or losses arising on the fair value remeasurement of the hedging financial instrument, to the extent it is effective;
- cash flow hedges, the portion of the gain or loss on the fair value remeasurement of the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income, while the gain or loss on the fair value remeasurement of the underlying item is not recognized in the Consolidated Statement of Financial Position. The ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss. Gains or losses recognized in other comprehensive income are reclassified to profit or loss in the same period or periods in which the asset acquired or liability issued affects profit or loss;
- net investment hedges, the effective portion of the gain or loss on the hedging instrument is recognized in translation reserves in other comprehensive income, while the ineffective portion is recognized in the Consolidated Income Statement. Gains and losses recognized in foreign exchange translation reserves are reclassified to profit or loss when the foreign investment is sold.

Embedded derivatives

An embedded derivative is a component of a host contract that satisfies the definition of a derivative instrument and whose economic characteristics are not closely related to that of the host contract. An embedded derivative must be separated from its host contract and accounted for as a derivative if, and only if, the following three conditions are satisfied:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- the embedded derivative satisfies the definition of a derivative laid down in IAS 39; and
- the hybrid instrument is not measured at fair value with changes in fair value recognized in the Consolidated Income Statement.

Commodity purchases/sales

These purchase/sales contracts are generally recognized outside the scope of IAS 39 (“own use” exemption), except for certain specific transactions in coal and electricity. For these specific transactions, cash flow hedge accounting is systematically preferred.

Options and forward purchase and sale contracts with physical delivery are excluded from the application scope of IAS 39 if entered into for own use (“exception for own-use”).

This exception is applicable when the following conditions are satisfied:

- the volumes purchased or sold under the contracts reflect the operating requirements of the subsidiary;
- the contracts are not subject to net settlement as defined by IAS 39 and, in particular, physical delivery is systematic;
- the contracts are not equivalent to sales of options, as defined by IAS 39.

Certain subsidiaries enter into electricity transactions (forward contracts, options) which are recognized as derivative instruments in accordance with IAS 39.

Instruments falling within the application scope of IAS 39 are derivative instruments and are measured at fair value, calculated using models mostly based on data. Fair value movements are recorded in operating income. The net impact of the unwinding of these transactions is recorded in revenue.

The Group is exposed to the following financial risks in the course of its operating and financial activities:

- market risks presented:
  - interest-rate risk (interest-rate fair value hedges, cash flow hedges and derivatives not qualifying for hedge accounting),
  - foreign exchange risk (hedges of a net investment in a foreign operation, hedges of balance sheet foreign exchange exposure by derivatives not qualifying for hedge accounting, embedded derivatives, overall foreign exchange risk exposure),
  - commodity risk (fuel and electricity risks, greenhouse gas emission rights);
- liquidity risk;
- credit risk.

Equity risk is presented in Notes 8.1.3.2. and 9.2.2.2.

8.3.1 Market risk management

The Group uses derivatives to manage and reduce its exposure to fluctuations in interest rates, exchange rates and commodity prices.

The fair value of derivatives in the Consolidated Statement of Financial Position breaks down as follows:

		As of December 31, 2016		As of December 31, 2017	
(in € million)	Notes	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	**8.3.1.1**	**13.2**	**31.9**	**7.0**	**21.4**
Fair value hedges		9.6	9.3	4.3	15.4
Cash flow hedges		-	14.1	-	0.5
Derivatives not qualifying for hedge accounting		3.6	8.5	2.7	5.5
Foreign currency derivatives	**8.3.1.2**	**86.6**	**148.0**	**70.8**	**75.4**
Net investment hedges		18.6	12.7	23.1	11.2
Fair value hedges		17.4	27.7	13.8	9.9
Cash flow hedges		1.5	1.5	1.0	3.8
Derivatives not qualifying for hedge accounting		49.1	106.1	32.9	50.5
Commodity derivatives	**8.3.1.3**	**21.8**	**60.5**	**19.2**	**60.7**
TOTAL DERIVATIVES		121.6	240.4	97.0	157.5
o/w non-current derivatives		**43.2**	**122.4**	**27.1**	**108.4**
o/w current derivatives		**78.4**	**118.0**	**69.9**	**49.1**

The fair value of derivatives recognized in the Consolidated Statement of Financial Position is determined (as described in Note 8.2.1) and breaks down as follows:

	As of December 31, 2017		Level 2 *(in %)*		Level 3 *(in %)*	
(in € million)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	7.0	21.4	100.0%	100.0%	-	-
Foreign currency derivatives	70.8	75.4	100.0%	100.0%	-	-
Commodity derivatives	19.2	60.7	100.0%	26.2%	-	73.8%
TOTAL DERIVATIVES	97.0	157.5	100.0%	71.6%	0.0%	28.4%

Derivatives valued using internal models integrating certain non-observable data are primarily electricity derivatives (see Note 8.3.1.3) for which there are no quoted prices in an active market (mainly electricity purchase options with extremely long maturity) or observable market data (forward prices for component materials), in particular for distant maturities. In such cases, data is estimated by Veolia experts.

	December 31, 2016		Level 2 *(en %)*		Level 3 *(en %)*	
(in € million)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	13.2	31.9	100.0%	100.0%	-	-
Foreign currency derivatives	86.6	148.0	100.0%	100.0%	-	-
Commodity derivatives	21.8	60.5	100.0%	19.2%	-	80.8%
TOTAL DERIVATIVES	121.6	240.4	100.0%	79.6%	0.0%	20.4%

8.3.1.1 Management of interest rate risk

The financing structure of the Group exposes it naturally to the risk of interest rate fluctuations. As such, the cash and cash equivalents position covers floating-rate debt which impacts future financial results according to fluctuations in interest rates.

Short-term debt is primarily indexed to short-term indexes (Eonia for the treasury Note program and Euribor/Libor for the main short-term credit lines). Medium and long-term debt comprises both fixed and floating-rate debt.

The Group manages a fixed/floating rate position in each currency in order to limit the impact of interest rate fluctuations on its net income and to optimize the cost of debt. For this purpose, it uses interest rate swap and swaption instruments.

These swaps may be classified as fair value hedges or cash flow hedges.

The following table shows the interest-rate exposure of gross debt (defined as the sum of non-current borrowings, current borrowings and bank overdrafts and other cash position items) before and after hedging.

	As of December 31, 2016		As of December 31, 2017	
(in € million)	Outstandings	% total debt	Outstandings	% total debt
Fixed rate	9,082.5	68.1%	10,084.1	70.6%
Floating rate	4,263.0	31.9%	4,197.0	29.4%
Gross debt before hedging	13,345.5	100.0%	14,281.1	100.0%
Fixed rate	8,260.5	61.9%	8,802.4	61.6%
Floating rate	5,090.0	38.1%	5,478.7	38.4%
Gross debt after hedging and fair value remeasurement of fixed-rate debt	13,350.5	100.0%	14,281.1	100.0%
Fair value adjustments to (assets)/liability hedging derivatives	**(5.0)**		**(1.3)**	
GROSS DEBT AT AMORTIZED COST	13,345.5		14,279.8	

Total gross debt as of December 31, 2017, after hedging, is 61.6% fixed-rate and 38.4% floating-rate.

As of December 31, 2017, the Group has cash and cash equivalents of €6.263.9 million, the majority of which bears interest at floating rates.

The Group manages its exposure to interest rate fluctuations based on floating-rate gross debt net of cash.

The Group's net floating rate position after hedging (asset position) is €960.1 million, maturing €2,425.6 million in less than one year, -€116.7 million in 1 to 5 years and -€1,348.8 million after 5 years.

Interest rate fair value hedges

The risk of volatility in the value of debt is hedged by fixed-rate receiver/floating-rate payer swaps which change bond issues to floating-rate debt (see Note 8.1.1.1).

Fair value hedging swaps represent a notional outstanding amount of €1,362.7 million as of December 31, 2017, compared with €1,366.8 million as of December 31, 2016, with a net fair value in the Consolidated Statement of Financial Position of -€11.1 million as of December 31, 2017, compared with €0.3 million as of December 31, 2016, as follows:

Fixed-rate receiver/ floating-rate payer swaps	Notional contract amount by maturity				Fair value of derivatives	
(in € million)	Total	< 1 year	from 1 to 5 years	> 5 years	Total assets	Total liabilities
As of December 31, 2017	1,362.7	112.7	-	1,250.0	4.3	15.4
As of December 31, 2016	1,366.8	-	116.8	1,250.0	9.6	9.3

The change in the nominal amount of the fair value hedging portfolio is mainly due to foreign exchange translation losses of €4.1 million on the nominal value of swaps denominated in pound sterling.

The change in the fair value of floating-rate payer swaps is mainly due to the decrease in the value of swaps set-up at the end of 2016 and the depreciation of the pound sterling against the euro.

Interest rate cash flow hedges

Floating-rate receiver/fixed-rate payer swaps/purchases of caps *(in € million)*	Notional contract amount by maturity				Fair value of derivatives	
	Total	< 1 year	from 1 to 5 years	> 5 years	Total assets	Total liabilities
As of December 31, 2017	14.2	-	3.1	11.1	-	0.5
As of December 31, 2016	560.9	-	-	560.9	-	14.1

The decrease in the nominal value of the cash flow hedging portfolio is mainly due to:

- the early unwinding of swaps pre-hedging the March 2017 bond issue in the amount of €500 million;
- the early unwinding of swaps hedging project financing in Italy in the amount of €32 million;
- amortization of the nominal value of swaps carried by Group subsidiaries the amount of €15 million.

An amount of -€9.9 million, net of tax, was recorded directly in equity attributable to owners of the Company in respect of cash flow hedge interest-rate derivatives as of December 31, 2017.

Contractual flows on interest rate swaps are paid at the same time as contractual flows on floating-rate borrowings and the amount recorded in other comprehensive income is released to net income in the period in which interest flows on the debt impact the Consolidated Income Statement.

The change in the fair value of fixed-rate payer swaps is mainly due to the change in the portfolio (early unwinding and reclassification) in the amount of €13.4 million.

4

Interest-rate derivatives not qualifying for hedge accounting

A certain number of derivatives do not qualify as hedges under IAS 39. The Group does not, however, consider these transactions to be of a speculative nature and views them as necessary for the effective management of its exposure to interest rate risk.

(in € million)	Notional amount				Fair value of derivatives	
	Total	< 1 year	from 1 to 5 years	> 5 years	Total assets	Total liabilities
Total firm financial instruments	3,170.6	3,119.8	33.2	17.6	2.7	5.5
Total optional financial instruments	-	-	-	-	-	-
TOTAL INTEREST-RATE DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	3,170.6	3,119.8	33.2	17.6	2.7	5.5

The increase in the portfolio of interest rate derivatives not qualifying for hedge accounting between 2016 and 2017 is mainly due to:

- the expiry at maturity of short-term financial instruments hedging cash investments totaling approximately €1,838 million;
- the set-up of new transactions hedging cash investments in the amount of €3,007 million;
- the expiry at maturity of economic hedging transactions, not classified as hedges for accounting purposes, in the amount of €350 million.

Recap: the breakdown as of **December 31, 2016** is as follows:

(in € million)	Notional amount				Fair value of derivatives	
	Total	< 1 year	from 1 to 5 years	> 5 years	Total assets	Total liabilities
Total firm financial instruments	2,358.6	-	2,304.4	54.2	3.6	8.5
Total optional financial instruments	-	-	-	-	-	-
TOTAL INTEREST-RATE DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	2,358.6	-	2,304.4	54.2	3.6	8.5

8.3.1.2 Management of foreign exchange risk

The Group's international activities generate significant foreign currency flows.

The Group's central Treasury Department manages foreign exchange risk centrally within limits set by the Chief Finance Officer.

Foreign exchange risk, as defined by IFRS 7, mainly results from:

- foreign currency-denominated purchases and sales of goods and services relating to operating activities and the related hedges. The Group has no significant exposure to foreign exchange transaction risk. The activities of the Group are performed by subsidiaries operating in their own country and their own currency. Exposure to foreign exchange risk is therefore naturally limited;
- foreign currency-denominated financial assets and liabilities including foreign currency-denominated loans/borrowings and related hedges (*e.g.* forex swaps). With many operations worldwide, Veolia organizes financing in local currencies. In the case of inter-company financing, these credit lines can generate foreign exchange risk. In order to limit the impact of this risk, Veolia has developed a policy which seeks to back foreign-currency financing and foreign currency derivatives with intercompany receivables denominated in the same currency. The asset exposure hedging strategy primarily involves hedging certain net foreign investments and ensuring that Group companies do not have a material balance sheet foreign exchange position that could generate significant volatility in foreign exchange gains and losses;
- investments in foreign subsidiaries reflected by the translation of accounts impacting the translation reserves.

Translation risk

Due to its international presence, the translation of the income statements of the Group's foreign subsidiaries is sensitive to exchange rate fluctuations.

The following table summarizes the sensitivity of certain Group Consolidated Income Statement aggregates to a 10% increase or decrease in foreign exchange rates against the euro, with regard to the translation of financial statements of foreign subsidiaries.

	Contribution to the consolidated financial statements									Sensitivity to a change of:	
(in € million)	Euro	Pound Sterling	US dollar	Polish zloty	Czech crown	Australian dollar	Chinese renminbi yuan	Other currencies	Total	10%	-10%
Revenue	12,061.6	2,144.0	2,383.0	999.8	1,068.2	1,048.1	734.9	4,685.0	25,124.6	1,406.2	(1,150.5)
Operating income	192.4	173.7	113.2	132.0	174.6	59.7	181.2	258.0	1,284.8	118.9	(97.2)

Foreign exchange risk with regard to the net finance cost

With many operations worldwide, Veolia organizes financing in local currencies.

The foreign currency debt borne by the parent company, Veolia Environnement SA, is generally hedged using either derivative instruments or assets in the same currency.

The Group's net finance cost, *i.e.* a euro-equivalent of -€410.6 million in 2017, is primarily denominated in EUR (54%), GBP (12%), USD (9%), CNY (6%) PLN (4%) and HKD (3%).

A 10% appreciation in the main currencies to which the Group is exposed (GBP, USD, PLN, HKD and CNY) against the euro would generate a €15.6 million increase in the net finance cost, while a 10% depreciation in these currencies would generated a €12.8 million decrease in the net finance cost.

Foreign exchange and translation risk in the Consolidated Statement of Financial Position

Due to its international presence, the Group's Consolidated Statement of Financial Position is exposed to exchange rate fluctuations. A fluctuation in the euro impacts the translation of subsidiary foreign currency denominated assets in the Consolidated Statement of Financial Position.

For its most significant assets, the Group has issued debt in the relevant currencies. The main net assets of the Group are located in the United States, the United Kingdom, China, Poland and the Czech Republic.

A 10% appreciation in the currencies of the above countries would increase net assets by €431 million, while a 10% depreciation in these currencies would reduce net assets by €353 million.

Hedge of a net investment in a foreign operation

Financial instruments designated as net investment hedges break down as follows:

Financial instrument *(in € million)*	Notional amounts as of December 31, 2017 by maturity date Amount	Less than 1 year	from 1 to 5 years	More than 5 years	Fair value of derivatives Total assets	Total liabilities
Currency payer swap	152.2	152.2	-	-	0.6	0.6
Currency receiver swap	1.3	1.3	-	-	-	-
Options	1,048.8	1,048.8	-	-	20.8	2.8
Embedded derivatives (forward sale)	6.7	6.7	-	-	-	0.6
Cross currency swaps	150.8	-	90.8	60.0	1.7	7.2
Total foreign currency derivatives	1,359.8	1,209.0	90.8	60.0	23.1	11.2
USD borrowings	-	-	-	-	N/A	N/A
CNY borrowings	-	-	-	-	N/A	N/A
Total financing	-	-	-	-	N/A	N/A
TOTAL	1,359.8	1,209.0	90.8	60.0	23.1	11.2

The above currency swaps are short-term but are generally renewed at maturity, until financing of an appropriate term is secured in the currency of the related country.

The change in in the fair value compared with December 31, 2016 is mainly due to the impact of the €11.8 million decrease in the fair value of cross currency swaps and payer swaps and the €16.4 million increase in the fair value of the option portfolio.

Inter-company loans and receivables forming part of a foreign investment (IAS 21) are nearly systematically hedged by foreign currency external financing or foreign currency derivatives (cross currency swaps, currency forwards) meeting IAS 39 criteria for hedge accounting. Foreign exchange gains and losses recorded in foreign exchange translation reserves in respect of hedging instruments are systematically offset by foreign exchange gains and losses recognized in foreign exchange translation reserves on loans forming part of the net investment, unless:

- the inter-company loan forming part of the net investment in a foreign operation is not hedged;
- the hedge is partially ineffective due to a difference between the nominal amount of the hedge and the amount of the hedged net asset;
- only the net assets of the foreign subsidiary (excluding the loan forming part of the net investment) are hedged.

Net foreign exchange losses recorded in Group foreign exchange translation reserves as of December 31, 2017 of -€215.9 million mainly comprise the impact of investment hedges in:

- US dollar (-€135.2 million);
- Hong Kong dollar (+€96.0 million);
- Czech crown (+€19.8 million);
- Chinese renminbi (-€118.7 million).

Recap: the breakdown as of **December 31, 2016** is as follows:

Financial instrument *(in € million)*	Notional amounts As of December 31, 2016 by maturity date Amount	Less than 1 year	from 1 to 5 years	More than 5 years	Fair value of derivatives Total assets	Total liabilities
Currency payer swap	602.0	549.4	-	52.6	10.9	5.4
Options	409.6	409.6	-	-	3.1	1.5
Embedded derivatives (forward sale)	26.3	19.7	6.6	-	-	2.1
Cross currency swaps	244.7	93.9	90.8	60.0	4.6	3.7
Total foreign currency derivatives	1,282.6	1,072.6	97.4	112.6	18.6	12.7
USD borrowings	379.5	-	-	379.5	N/A	N/A
CNY borrowings	8.3	-	8.3	-	N/A	N/A
Total financing	387.8	-	8.3	379.5	N/A	N/A
TOTAL	1,670.4	1,072.6	105.7	492.1	18.6	12.7

Foreign currency fair value hedges

Financial instruments designated as fair value hedges break down as follows:

Financial instrument *(in € million)*	Notional amounts as of December 31, 2017 by maturity date				Fair value of derivatives	
	Amount	Less than 1 year	from 1 to 5 years	More than 5 years	Total assets	Total liabilities
Forward purchases	155.9	154.0	1.9	-	1.8	4.6
Forward sales	411.0	401.6	9.4	-	12.0	5.3
FOREIGN CURRENCY DERIVATIVES: FAIR VALUE HEDGE	566.9	555.6	11.3	-	13.8	9.9

The fair value hedges presented above mainly consist of foreign currency hedges in respect of construction contracts for water treatment plants and sludge incineration plants.

Financial instrument *(in € million)*	Notional amounts As of December 31, 2016 by maturity date				Fair value of derivatives	
	Amount	Less than 1 year	from 1 to 5 years	More than 5 years	Total assets	Total liabilities
Forward purchases	183.8	166.9	16.9	-	12.0	0.8
Forward sales	518.7	476.6	42.1	-	5.4	26.9
FOREIGN CURRENCY DERIVATIVES: FAIR VALUE HEDGE	702.5	643.5	59.0	-	17.4	27.7

Foreign currency cash flow hedges

Financial instruments designated as cash flow hedges break down as follows:

Financial instrument *(in € million)*	Notional amounts as of December 31, 2017 by maturity date				Fair value of derivatives	
	Amount	Less than 1 year	from 1 to 5 years	More than 5 years	Total assets	Total liabilities
Forward purchases	61.4	58.4	3.0	-	0.6	1.2
Forward sales	101.1	86.6	14.5	-	0.4	2.6
FOREIGN CURRENCY DERIVATIVES: CASH FLOW HEDGE	162.5	145.0	17.5	-	1.0	3.8

The cash flow hedges presented above mainly consist of forward purchases/sales of foreign currencies different from the functional currencies of the entities concerned, in connection with their own activities.

This includes hedges in respect of commodity purchases and sales in Central Europe.

Financial instrument *(in € million)*	Notional amounts As of December 31, 2016 by maturity date				Fair value of derivatives	
	Amount	Less than 1 year	from 1 to 5 years	More than 5 years	Total assets	Total liabilities
Forward purchases	46.1	39.6	6.5	-	0.6	0.4
Forward sales	67.9	63.5	4.4	-	0.9	1.0
FOREIGN CURRENCY DERIVATIVES: CASH FLOW HEDGE	114.0	103.1	10.9	-	1.5	1.4

Hedges of currency exposure in the Consolidated Statement of Financial Position by derivatives not qualifying for hedge accounting

Financial instrument (in € million)	Notional amounts as of December 31, 2017 by maturity date				Fair value of derivatives	
	Amount	Less than 1 year	from 1 to 5 years	More than 5 years	Total assets	Total liabilities
Currency receiver swaps and forward purchases	1,673.0	1,667.5	5.5	-	4.1	3.9
Currency paper swaps and forward purchases	5,459.1	5,324.9	81.6	52.6	28.5	29.2
Currency options	-	-	-	-	-	-
Embedded derivatives	43.1	19.4	23.7	-	0.3	17.4
FOREIGN CURRENCY DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	-	-	-	-	32.9	50.5

The above portfolio of foreign currency derivatives was mainly contracted by Veolia Environnement to hedge its foreign currency-denominated net financial debt (comprising foreign currency-denominated borrowings and foreign currency-denominated inter-company loans and borrowings).

Financial instrument (in € million)	Notional amounts As of December 31, 2016 by maturity date				Fair value of derivatives	
	Amount	Less than 1 year	from 1 to 5 years	More than 5 years	Total assets	Total liabilities
Currency receiver swaps and forward purchases	1,903.7	1,900.0	3.7	-	27.9	5.3
Currency paper swaps and forward purchases	5,415.1	5,409.6	5.5	-	21.2	82.3
Currency options	-	-	-	-	-	-
Embedded derivatives	68.5	21.3	47.2	-	-	18.6
FOREIGN CURRENCY DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	-	-	-	-	49.1	106.2

8.3.1.3 Management of commodity risk

As part of its collection activities, the Group can use firm fuel purchase contracts (classified as “for own use”) and derivatives.

The Group has also entered into long-term gas, coal, electricity and biomass purchase contracts in order to secure its supplies. The majority of these commitments are reciprocal; the third parties concerned are obliged to deliver the quantities negotiated in these contracts and the Group is obliged to take them.

As part of electricity sales activities on the wholesale market, the Group may be required to contract forward electricity sales contacts aimed at securing future production (with maturities not exceeding three years).

Fuel or electricity prices can be subject to significant fluctuations. The long-term contracts entered into by Veolia generally include price review and/or indexation clauses which enable it to pass on the majority of any increases in commodity or fuel prices to the price of services sold to customers, even if this may be performed with a time delay.

Nonetheless, as part of supply management and cost optimization measures or to hedge future production, certain Group subsidiaries may be required, depending on their activities, to contract forward purchases or sales of commodities and set-up derivatives to fix the cost of commodities supply or the selling price of commodities produced (electricity).

As of December 31, 2017, the fair value of commodity derivatives is recorded €19.2 million in assets and €60.7 million in liabilities. The €2.8 million decrease in fair value on December 31, 2016 is mainly due to the negative impact of transactions that matured in 2017, which offset the positive impact of our gas, coal and CO_2 purchase derivatives following increases in the forward prices of these commodities during the year.

(in € million)	As of December 31, 2016 Assets	Liabilities	As of December 31, 2017 Assets	Liabilities
Commodity derivatives	**21.8**	**60.5**	**19.2**	**60.7**
Electricity	11.7	59.0	12.5	60.5
Petroleum products	-	-	-	-
CO_2	-	-	0.8	-
Coal[1]	8.9	1.3	5.1	0.2
Gas[1]	1.2	0.2	0.8	-
Other	-	-	-	-

(1) Transactions concerning gas, coal or other petroleum products are primarily financial instruments maturing in 2016 and 2017.

These derivatives break down by hedge type as follows:

(in € million)	As of December 31, 2016 Assets	Liabilities	As of December 31, 2017 Assets	Liabilities
Commodity derivatives	**21.8**	**60.5**	**19.2**	**60.7**
Fair value hedges	-	-	-	-
Cash flow hedges	8.9	0.8	2.9	0.1
Derivatives not qualifying for hedge accounting	12.9	59.7	16.3	60.6

Electricity risk

(in € million)	Contract notional amounts as of December 31, 2017 by maturity date: Total amount	Less than 1 year	from 1 to 5 years	More than 5 years
Electricity purchase instrument:				
• in Gwh	5,952	1,133	2,743	2,076
• in € million	184	40	83	61
Electricity sales instrument:				
• in Gwh	1,834	1,188	646	-
• in € million	59	37	22	-

Electricity purchase and sales instruments maturing in 2018 have a market value of -€17 million (based on valuation assumptions at the year-end). Instruments maturing after 2018 have a market value of -€31.0 million. These transactions are recorded in the Consolidated Statement of Financial Position at fair value based on the quoted price of commodities with similar maturities and using internal models integrating non-observable data in the absence of a liquid market.

A 10% increase or decrease in the price of electricity (all other things being equal) would have an impact on net income of +€3.5 million and -€2.6 million, respectively.

	Contract notional amounts as of December 31, 2016 by maturity date			
(in € million)	Total amount	Less than 1 year	from 1 to 5 years	More than 5 years
Electricity purchase instrument:				
• in Gwh	6,682	1,153	2,761	2,768
• in € million	203	36	86	81
Electricity sales instrument:				
• in Gwh	1,521	1,022	499	-
• in € million	44	30	14	-

Greenhouse gases

As explained in Chapter 1, Section 1.6 of the Registration Document, the increase in greenhouse gases in the atmosphere led certain States and the international community to introduce regulatory measures to limit this trend.

Under European regulations, the actual emissions position is determined each year and the corresponding rights surrendered. The Group then purchases or sells emission rights, depending on whether actual emissions are greater or lesser than emission rights allocated.

In the absence of specific IFRS provisions, the Group has adopted the "net liability approach," which involves the recognition of a liability at the period end if actual emissions exceed allowances held, in accordance with IAS 37.

Allowances are managed as a production cost and, in this respect, are recognized in inventories at:

- nil value, when they are received free of charge;
- acquisition cost, if purchased for valuable consideration on the market.

Consumption of this inventory is recognized on a weighted-average unit cost basis.

Transactions in these allowances performed on the forward market are generally recognized outside the application scope of IAS 39 ("own use" exemption), except for certain specific transactions related to the hedging of electricity production activities.

The position in **2017** is as follows:

Volumes *(in thousands of metric tons)*	As of January 1, 2017	Changes in scope of consolidation	Granted	Purchased/ Sold/ Cancelled	Used	As of December 31, 2017
TOTAL	693	(217)	2,959	4,716	(7,651)	500

Free allocations still to be received in respect of phase III of the Emissions Trading Scheme covering the period 2018 to 2021 are estimated at €38.5 million for the Group, based on a valuation at the spot price as of December 31, 2017.

8.3.2 Management of liquidity risk

The operational management of liquidity and financing is managed by the Treasury and Financing Department. This management involves the centralization of major financing in order to optimize liquidity and cash.

The Group secures financing on international bond markets, international private placement markets, the treasury Note market and the bank lending market (see Note 8.1.1.3, Non-current and current financial liabilities).

8.3.2.1 Maturity of financial liabilities

As of December 31, 2017, **undiscounted contractual flows on net financial debt** (nominal value) break down by maturity date as follows:

	As of December 31, 2017		Maturity of undiscounted contractual flows					
(in € million)	Carrying amount	Total undiscounted contractual flows	2018	2019	2020	2021	2022	Beyond 5 years
Bond issues[1]	9,390.6	9,495.8	483.6	602.5	945.1	1,335.9	1,304.9	4,823.8
Other borrowings	4,890.5	5,550.0	4,117.5	274.2	197.7	194.2	126.1	640.3
Gross borrowings excluding the impact of amortized cost and hedging derivatives	**14,281.1**	**15,045.8**	**4,601.1**	**876.7**	**1,142.8**	**1,530.1**	**1,431.0**	**5,464.1**
Impact of derivatives hedging debt	(1.3)							
Gross borrowings	**14,279.8**							
Cash and cash equivalents	(6,263.9)							
Liquid assets and financing financial assets	(174.9)							
Net financial debt	**7,841.0**							

(1) Excluding the impact of amortized cost and derivatives hedging debt.

8.3.2.2 Net liquid asset positions

Net liquid assets of the Group as of December 31, 2017 break down as follows:

(in € million)	As of December 31, 2016	As of December 31, 2017
Veolia Environnement		
Undrawn MT syndicated loan facility	3,000.0	3,000.0
Undrawn MT bilateral credit lines	925.0	925.0
Undrawn ST bilateral credit lines	-	-
Letters of credit facility	8.2	55.1
Cash and cash equivalents[1]	4,648.4	5,371.0
Subsdiaries:		
Cash and cash equivalents[1]	886.0	1,067.9
TOTAL LIQUID ASSETS	9,467.6	10,419.0
Current debt and bank overdrafts and other cash position items:		
Current debt	4,759.7	4,607.0
Bank overdrafts and other cash position items	246.8	208.9
TOTAL CURRENT DEBTS AND BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS	5,006.5	4,815.9
TOTAL LIQUID ASSETS NET OF CURRENT DEBTS AND BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS	4,461.1	5,603.1

(1) Including liquid assets and finance-related assets included in net financial debt

As of December 31, 2017, Veolia had total liquid assets of €10.4 billion, including cash and cash equivalents of €6.4 billion.

As of December 31, 2017, cash equivalents were mainly held by Veolia Environnement in the amount of €5,266.7 million. They comprise monetary UCITS of €4,314.3 million and term deposit accounts of €950.1 million.

Improved credit outlook

In 2017, S&P and Moody's confirmed Veolia's A2/BBB credit rating with a stable outlook and P-2/Baa1 credit rating also with a stable outlook, respectively.

Refinancing of the multi-currency liquidity lines

On November 6, 2015, Veolia signed a new multi-currency syndicated loan facility for an amount of €3 billion. The initial maturity of 2020 was extended to 2022 in October 2017. It may be drawn in eastern European currencies and Chinese renminbi.

Renewal of bilateral credit lines

Veolia Environnement has bilateral credit lines for a total undrawn amount of €925 million as of December 31, 2017.

Veolia Environnement may draw on the multi-currency syndicated loan facility and all credit lines at any time.

Undrawn confirmed credit lines mature as follows:

	As of December 31, 2017	Maturing in				
(in € million)	Total	2018	2019	2020	2021	2022
Undrawn syndicated loan facility	3,000.0	-	-	-	-	3,000.0
Credit lines	925.0	-	425.0	400.0	100.0	-
Letters of credit facility	55.1	-	55.1	-	-	-
TOTAL	3,980.1	-	480.1	400.0	100.0	3,000.0

8.3.2.3 Information on early debt repayment clauses

Veolia Environnement debt

The legal documentation for bank financing and bond issues contracted by the Company does not contain any financial covenants, *i.e.* obligations to comply with a debt coverage ratio or a minimum credit rating which, in the event of non-compliance, could lead to the early repayment of the relevant financing.

Subsidiary debt

Certain project financing or financing granted by multilateral development banks to the Group's subsidiaries contain financial covenants (as defined above).

Based on diligences performed within the subsidiaries, the Company considers that the covenants included in the documentation of material financing were satisfied (or had been waived by lenders) as of December 31, 2017.

8.3.3 Management of credit risk

The Group is exposed to counterparty risk in various areas: its operating activities, cash investment activities and derivatives.

8.3.3.1 Counterparty risk relating to operating activities

Credit risk must be considered separately with respect to operating financial assets and operating receivables. Credit risk on operating financial assets is appraised *via* the rating of primarily public customers. Credit risk on other operating receivables is appraised through an analysis of risk dilution and late payments for private customers and exceptionally, for public customers, by a credit analysis.

Group customer credit risk analysis may be broken down into the following four categories (Public customers – Delegating authority, Private customers – Individuals, Public customers – Other and Private customers – Companies):

		As of December 31, 2017			Breakdown by customer type			
(in € million)	Note	Gross carrying amount	Impairment losses	Net carrying amount	Public customers – Delegating authority	Private customers – Individuals	Public customers – Other	Private customers-Companies
Non-current and current operating financial assets	5.4	1,706.4	(92.3)	1,614.1	1,304.7	-	27.3	282.1
Trade receivables	5.3	6,912.2	(753.5)	6,158.7	808.5	1,220.6	1,427.6	2,702.0
Other current operating receivables	5.3	571.8	(93.5)	478.4	41.5	52.3	35.6	349.0
Non-current financial assets in loans and receivables	8.1.2	402.7	(69.7)	333.0	29.4	8.0	9.9	285.7
Current financial assets in loans and receivables	8.1.2	261.9	(32.9)	229.0	43.7	17.2	10.3	157.8
LOANS AND RECEIVABLES		9,855.0	(1,041.9)	8,813.2	2,227.8	1,298.1	1,510.7	3,776.6
Other financial assets	8.1.2	**196.2**	**(5.0)**	**191.2**	**10.9**	**1.1**	**0.6**	**178.6**
TOTAL AS OF DECEMBER 31, 2017		10,051.2	(1,046.9)	9,004.4	2,238.7	1,299.2	1,511.3	3,955.2
TOTAL AS OF DECEMBER 31, 2016		10,440.4	(1,098.1)	9,342.3	2,261.1	1,511.8	1,632.5	3,936.9

Assets past due and not impaired break down as follows:

			Assets past due but not impaired			
(in € million)	Note	Net carrying amount	Amount not yet due	0-6 months	6 months – 1 year	More than 1 year
Non-current and current operating financial assets	5.4	1,614.1	1,493.6	110.4	3.8	6.3
Trade receivables	5.3	6,158.7	4,322.7	1,325.3	252.3	258.4
Other current operating receivables	5.3	478.4	373.6	40.7	9.7	54.4
Non-current financial assets in loans and receivables	8.1.2	333.0	333.0	-	-	-
Current financial assets in loans and receivables	8.1.2	229.0	200.2	10.2	2.4	16.2
LOANS AND RECEIVABLES AS OF DECEMBER 31, 2017		8,813.2	6,723.1	1,486.6	268.2	335.3
Other non-current and current financial assets	8.1.2	**191.2**	**39.5**	**150.1**	**1.6**	**-**
TOTAL AS OF DECEMBER 31, 2017		9,004.4	6,762.6	1,636.7	269.8	335.3
TOTAL AS OF DECEMBER 31, 2016		9,342.3	7,224.5	1,569.4	243.7	304.7

Assets past due over six months are mainly concentrated in Italy, France, Gabon and Morocco.

In Italy, net trade receivables past due over six months for all Group subsidiaries total €79.2 million as of December 31, 2017, compared with €114.9 million as of December 31, 2016. Furthermore, in this country, trade receivables consist of private customers, public authorities and state bodies for which the recovery period is long.

In France, net trade receivables past due over 12 months total €76.2 million at the end of 2017 (€31.8 million at the end of 2016), representing 1.23% of customer outstanding.

8.3.3.2 Counterparty risk relating to investment and hedging activities

The Group is exposed to credit risk relating to the investment of its surplus cash and its use of derivative instruments in order to manage interest rate and foreign exchange risk. Credit risk corresponds to the loss that the Group may incur should a counterparty default on its contractual obligations. In the case of derivative financial instruments, this risk corresponds to the fair value of all the instruments contracted with a counterparty insofar as this value is positive.

The Group minimizes counterparty risk through internal control procedures limiting the choice of banking counterparties to leading banks and financial institutions (banks and financial institutions with a minimum Moody's, Standard & Poor's or Fitch's rating of A3/P3/F3 respectively for transactions with a term of less than one year and of A2/A/A respectively for transactions with a term of more than one year, unless justified). Limits are determined for each counterparty based primarily on the rating awarded by the rating agencies, the size of their equity and commitments given to the Group and are reviewed regularly. In addition, new derivative transactions must only be entered into with counterparties with whom the Group has an ISDA or FBF framework agreement.

Counterparty risk on financial transactions is monitored on an ongoing basis by the middle-office within the Group Finance Department. The Group is not exposed to any risk as a result of material concentration.

Veolia Environnement cash surpluses (€5.3 billion as of December 31, 2017) are managed with a profitability objective close to that of the money market, avoiding exposure to capital risk and maintaining a low level of volatility.

They were injected into the following types of investment:

- non-dynamic monetary UCITS (with the AMF classification of short-term monetary or monetary) for €4,314.3 million;
- term deposit accounts classified as cash equivalents, mainly with leading international banks, with a short-term rating from Standard & Poor's, Moody's or Fitch of A3/P3/F3, for €950.1 million.

8.4 Financial income and expenses

8.4.1 Cost of net financial debt

Net finance costs consist of interest payable on borrowings calculated using the amortized cost method and losses on interest rate derivatives, both qualifying and not qualifying as hedges.

Interest costs included in payments under lease finance contracts are recorded using the effective interest rate method.

Finance income consists of gains on interest rate derivatives, both qualifying and not qualifying as hedges and income from cash investments and equivalents.

Interest income is recognized in profit or loss when earned, using the effective interest method.

Finance costs and finance income represent the cost of borrowings net of income from cash and cash equivalents. In addition, net finance costs include net gains and losses on derivatives allocated to borrowings, irrespective of whether they qualify for hedge accounting.

Finance income totals €47.3 million, while finance expenses total -€457.9 million in 2017.

Net finance costs presented in the Consolidated Cash Flow Statement reflect the net finance costs of continuing operations presented above and the net finance costs of discontinued operations of nil in 2017.

The heading "Interest paid" in the Consolidated Cash Flow Statement reflects the net finance costs of continuing and discontinued operations adjusted for accrued interest of -€26.6 million and fair value adjustments to hedging derivatives of -€1.9 million in 2017.

(in € million)	2016 represented	2017
Expenses on gross debt	(361.0)	(357.4)
Assets at fair value through the Consolidated Income Statement (fair value option)*	17.6	13.1
Net gains and losses on derivative instruments, hedging relationships and other	(79.6)	(66.3)
COST OF NET FINANCIAL DEBT	(423.0)	(410.6)

* *Cash equivalents are valued at fair value through the Consolidated Income Statement*

Net gains and losses on derivative instruments, hedging relationships and other mainly include the following amounts for fiscal year 2017:

- net interest income on hedging relationships (fair value hedges and cash flow hedges) of €11.7 million;
- net losses on derivatives not qualifying for hedge accounting of -€84.8 million, mainly on foreign currency derivatives.

In addition, the charge relating to the ineffective portion of net investment hedges and cash flow hedges was not material in 2017 or 2016.

8.4.2 Other financial income and expenses

Other financial income and expenses primarily include income on financial receivables, excluding I4 and I12 financial receivables, calculated using the effective interest rate method, capital gains and losses on disposals of financial assets, net of disposal costs, dividends, foreign exchange gains and losses and impairment losses on financial assets and the unwinding of discounts on provisions.

(in € million)	2016 represented	2017
Net gains and losses on loans and receivables	8.9	21.6
Capital gains and losses on disposals of financial assets, net of disposal costs	34.6	8.0
Net gains and losses on available-for-sale assets(1)	9.0	4.6
Assets and liabilities at fair value through the Consolidated Income Statement	(0.1)	0.3
Unwinding of the discount on provisions	(41.7)	(36.3)
Foreign exchange gains and losses	5.4	(23.8)
Interest on operating asset	(90.3)	(94.3)
Other	(20.4)	(23.4)
OTHER FINANCIAL INCOME AND EXPENSES	(94.6)	(143.3)

(1) Including dividends received of €3.4 million in 2017, compared with €8.1 million in 2016.

In 2017, other financial income and expenses include the impact of fair value remeasurement and sundry financial divestitures in Asia in the amount of €39.7 million and the impact of the sale of Mehrum in Germany of -€15.2 million.

In 2016, these impacts mainly reflected the divestiture of Transdev in the amount of +€21.8 million and Bartin in the amount of -€10.9 million and the buyout of minority interests in M2O in the amount of +€28.0 million.

8.5 Financing commitments

8.5.1 Commitments given

Debt guarantees: these relate to guarantees given to financial institutions in connection with the borrowings of non-consolidated companies and equity-accounted entities, when the commitment covers the entire amount.

Letters of credit: letters of credit delivered by financial institutions to Group creditors, customers and suppliers guaranteeing operating activities.

Off-balance sheet commitments given break down as follows:

(in € million)	As of December 31, 2016	As of December 31, 2017	Maturing in Less than 1 year	Maturing in 1 to 5 years	Maturing in More than 5 years
Letters of credit	45.3	29.0	19.0	7.9	2.1
Debt guarantees	25.3	20.0	3.3	2.6	14.1
Other financing commitments given	51.3	69.7	30.0	12.3	27.4
TOTAL FINANCING COMMITMENTS GIVEN	121.9	118.7	52.3	22.8	43.6

Commitments on lease contracts entered into by the Group are analyzed in Note 7.3.

Commitments given in respect of joint ventures (at 100%) total €4.9 million as of December 31, 2017 against €10.8 million as of December 31, 2016.

8.5.2 Commitments received

Commitments received total €116.2 million as of December 31, 2017 and €131.8 million as of December 31, 2016.

8.5.3 Collateral guaranteeing borrowings

As of December 31, 2017, the Group has given €161.0 million of collateral guarantees in support of borrowings including €98.8 million in support of borrowings of its joint ventures.

The breakdown by type of asset is as follows:

Type of pledge/mortgage *(in € million)*	Amount pledged (a)	Total Consolidated Statement of Financial Position (b)	Corresponding % (a)/(b)
Intangible assets	0	9,408	
Tangible assets	22	7,294	0.3%
Financial assets*	113	419	27.0%
TOTAL NON CURRENT ASSETS	135	17,121	
Current assets	26	16,763	0.2%
TOTAL ASSETS	161		

* *As a majority of financial assets pledged as collateral are shares of consolidated subsidiaries and other financial assets, the ratio is not significant.*

The breakdown by maturity is as follows:

(in € million)	As of December 31, 2016	As of December 31, 2017	Maturing in Less than 1 year	Maturing in 1 to 5 years	Maturing in More than 5 years
Intangible assets	**0**	**0**	**0**	**0**	**0**
Property, plant and equipment	**16**	**22**	**9**	**4**	**9**
Mortgage pledge	8	9	8	0	1
Other PP&E pledge(1)	8	13	1	4	8
Financial assets(2)	**143**	**113**	**45**	**64**	**4**
Current assets	**25**	**26**	**25**	**1**	**0**
Pledges on receivables	24	24	24	0	0
Pledges on inventories	1	2	1	1	0
TOTAL	184	161	79	69	13

(1) Mainly equipment and traveling systems.
(2) Including non-consolidated investments of €98.8 million and other financial assets (primarily operating financial assets) of €14.5 million as of December 31, 2017, compared with non-consolidated investments of €113.0 million and other financial assets (primarily operating financial assets) of €17.9 million as of December 31, 2016.

NOTE 9 EQUITY AND EARNINGS PER SHARE

9.1 Share capital management procedures

Veolia Environnement manages its share capital within the framework of a prudent and rigorous financial policy that seeks to ensure easy access to French and international capital markets, to enable investments in projects that create value and provide shareholders with a satisfactory remuneration, while maintaining an "Investment Grade" credit rating.

With effect from September 30, 2014 and for a period of 12 months renewable by tacit agreement, Veolia Environnement entrusted ROTHSCHILD & Cie BANQUE with the implementation of a liquidity contract. To this end, an amount of thirty million euros (€30,000,000) was allocated to the operation of this liquidity account.

This liquidity contract forms part of the share buyback program authorized by the Veolia Environnement General Shareholders' Meeting of April 20, 2017, which has renewed its approval from April 21, 2016 authorizing the Board of Directors to proceed to repurchase of company's shares for a new period of 18 months.

9.2 Equity attributable to owners of the Company

9.2.1 Share capital

The share capital is fully paid-up.

9.2.1.1 Share capital increases

There were no capital increase in 2017.

9.2.1.2 Share capital increase reserved for Group employees

There were no capital increase reserved for group employees in 2016 and 2017.

9.2.1.3 Number of shares outstanding and par value

The number of shares outstanding was 563,364,823 as of December 31, 2016 and 2017. The par value of each share is €5.

9.2.1.4 Authorized but unissued shares

The Veolia Environnement Combined General Meeting generally grants two types of share issuance authorizations to the Board of Directors: (i) authorizations for the issuance of new shares, which are collectively limited to 70% of the number of shares outstanding on the date of the General Shareholders' Meeting; and (ii) authorizations for the preferential issuance of warrants, which is limited to 25% of the number of shares outstanding on the date of the issue decision and which may only be used in the context of an outstanding tender offer on the Company's shares. The first category of authorizations yields an exact number of authorized but unissued shares, whereas the number of shares authorized but unissued under the second category of authorizations will depend on the number of shares already outstanding on the date of the decision. Both types of authorizations, with the same limitations on issuance, *i.e.* 70% and 25%, were approved at the Combined General Meetings in 2009 and 2010.

Fiscal years 2016 and 2017

For 2016, authorized but unissued shares under the first category amounted to 169,009,446 shares on the basis of 563,364,823 shares (or 30% of the issued share capital) outstanding on April 21, 2016, the date of the General Shareholders' Meeting voting the authorizations.

As of December 31, 2016, no shares were issued.

For 2017, authorized but unissued shares pursuant to share capital increases approved by the General Shareholders' Meeting of April 20, 2017 totaled the same number of shares than in 2016, based on a number of shares outstanding unchanged in 2017.

No shares had been issued as of December 31, 2017.

9.2.2 Offset of treasury shares against equity

Treasury shares are deducted from equity.

Gains or losses arising from the sale of treasury shares and related dividends are recognized directly in equity and do not impact the Consolidated Income Statement.

9.2.2.1 Purchases and sales of treasury shares

Purchase and sale transactions in Veolia Environnement shares under the liquidity contract in 2017 and 2016 were as follows:

	2016	2017
Number of shares purchased during the year	9,271,117	6,425,087
Number of shares sold during the year	7,911,117	7,785,087

As of December 31, 2017, Veolia Environnement did not hold any shares under the liquidity contract. A €30 million drawdown authorization was granted for the operation of this liquidity contract.

15,064,835 and 13,704,835 treasury shares are held as of December 31, 2016 and December 31, 2017, respectively.

9.2.2.2 Equity risk

As of December 31, 2017, Veolia Environnement holds 13,704,835 of its own shares, of which 8,389,059 are allocated to external growth operations and 5,315,776 were acquired for allocation to employees under employee savings plans. These shares have a market value of €291.6 million, based on a share price of €21.275 and a net carrying amount of €434.1 million deducted from equity.

9.2.3 Appropriation of net income and dividend distribution

The Combined General Meeting of April 20, 2017 set the cash dividend for 2016 at €0.80 per share. This dividend was paid from April 26, 2017 in the total amount of €439.7 million.

A dividend of €401.2 million was distributed by Veolia Environnement in 2016 and deducted from "Net income for the year", "Additional paid-in capital" and "Distributable reserves".

9.2.4 Foreign exchange gains and losses

Accumulated foreign exchange translation reserves total €243.4 million as of December 31, 2016 (attributable to owners of the Company).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi (-€59.8 million), the US Dollar (+€19.2 million), the Hong Kong dollar (-€16.0 million) and the Australian dollar (-€21.5 million).

Accumulated foreign exchange translation reserves total €27.5 million as of December 31, 2017 (attributable to owners of the Company).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi (-€118.7 million), the US dollar (-€135.2 million) and the Hong Kong dollar (+€96.0 million).

Movements in foreign exchange translation reserves (attributable to owners of the Company and to non-controlling interests)

(in € million)	Total	o/w Attributable to owners of the Company
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	667.6	571.7
Translation differences on net foreign investments	(328.3)	(328.3)
As of December 31, 2016	**339.3**	**243.4**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	(295.6)	(260.4)
Translation differences on net foreign investments	44.8	44.5
Movements in 2017	**(250.8)**	**(215.9)**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	372.0	311.3
Translation differences on net foreign investments	(283.5)	(283.8)
AS OF DECEMBER 31, 2017	**88.5**	**27.5**

Breakdown by currency of foreign exchange translation reserves attributable to owners of the Company

(in € million)	As of December 31, 2016	Change	As of December 31, 2017
Chinese renminbi	430.6	(118.7)	311.9
Czech crown	30.7	19.8	50.5
Australian dollar	33.9	(15.9)	18.0
US dollar	238.6	(135.2)	103.4
Pound sterling	(165.9)	(15.3)	(181.2)
Hong Kong dollar	(279.9)	96.0	(183.9)
Polish zloty	(27.6)	18.7	(8.9)
Other currencies	(17.0)	(65.3)	(82.3)
TOTAL	243.4	(215.9)	27.5

9.2.5 Fair value reserves

Fair value reserves attributable to owners of the Company total -€42.5 million as of December 31, 2016 and -€56.3 million as of December 31, 2017, and break down as follows:

(in € million)	Available for-sale securities	Commodity derivatives hedging cash flows	Foreign currency derivatives hedging cash flows	Interests rate derivatives hedging cash flows	Total	o/w attributable to owners of the Company
As of December 31, 2016*	**9.2**	**4.3**	**(1.1)**	**(53.1)**	**(40.7)**	**(42.5)**
Fair value adjustments	5.7	(4.1)	(1.2)	19.3	19.7	21.0
Other movements	(2.4)	(0.2)	(3.2)	(28.9)	(34.7)	(34.8)
AS OF DECEMBER 31, 2017*	12.5	(0.0)	(5.5)	(62.7)	(55.7)	(56.3)

* *Amounts are presented net of tax*

No material amounts were released to the Consolidated Income Statement in respect of interest rate derivatives hedging cash flows and recorded in finance costs and income.

9.3 Equity attributable to non-controlling interests

Pursuant to IFRS 10, non-controlling interests in fully consolidated subsidiaries are considered a component of equity.

Furthermore, in accordance with IAS 32, Financial Instruments: Presentation, non-controlling interest put options are recognized as liabilities.

9.3.1 Equity attributable to non-controlling interests

A breakdown of the movement in non-controlling interests is presented in the Statement of Changes in Equity.

As of December 31, 2017, non-controlling interests mainly concern:

- in Europe excluding France: Poland (€204.2 million), the Czech Republic (€86.9 million) and Germany (€113.4 million);
- in the Rest of the world operating segment: China (€391.5 million).

The change in non-controlling interests in 2017 is mainly due to net income for the year (€137.6 million), changes in consolidation scope (+€53.3 million), dividend distributions (-€140.8 million), foreign exchange translation gains and losses (-€34.9 million) and share capital increases (€15.3 million).

9.3.2 Net income (loss) attributable to non-controlling interests

Net income attributable to non-controlling interests is €137.6 million for the year ended December 31, 2017, compared with €103.0 million for the year ended December 31, 2016 represented.

Net income (loss) attributable to non-controlling interests breaks down by operating segment as follows:

(in € million)	As of December 31, 2016	As of December 31, 2017
France	3.4	-
Europe excluding France[b]	51.7	68.7
Rest of the world[a]	47.2	64.0
Global businesses	0.7	4.9
Other	-	-
NON-CONTROLLING INTERESTS	103.0	137.6

(a) Including net income attributable to non-controlling interests in Latin America (€8 million).
(b) Including net income attributable to non-controlling interests in Central Europe (€58.6 million).

9.4 Deeply-subordinated securities and oceane convertible bonds

9.4.1 Deeply-subordinated securities

In January 2013, Veolia Environnement issued deeply subordinated perpetual securities in euros and pound sterling redeemable from April 2018. The issue comprised a euro tranche of €1 billion at 4.5% yield and a pound sterling tranche of £400 million at 4.875% yield.

This instrument is recognized in equity, pursuant to IAS 32.11 and given its intrinsic terms and conditions (no mandatory repayment, no obligation to pay a coupon, except in the event of a dividend distribution to shareholders or the buyback of own shares).

The cost of the coupon payable to holders of deeply subordinated securities is -€67.8 million in 2017 compared with -€68.8 million in 2016.

9.4.2 OCEANE convertible bonds

On March 8, 2016, Veolia Environnement issued convertible “OCEANE” bonds.

The conversion option of this transaction, may be settled solely in shares and is recognized in equity in the amount of €17.6 million as of December 31, 2017.

9.5 Earnings per share

Basic earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year.

Pursuant to IAS 33, the weighted average number of shares outstanding taken into account for the calculation of net income per share is adjusted for the distribution of scrip dividends during the year. Pursuant to IAS 33.9 and 12, net income attributable to owners of the Company has been adjusted to take into account the cost of the coupon payable to holders of deeply subordinated securities issued by Veolia Environnement.

Diluted earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year plus the weighted average number of ordinary shares that would be issued following the conversion into ordinary shares of all potentially dilutive ordinary shares.

Net income and the number of shares used to calculate basic and diluted earnings per share are presented below for all activities.

	As of December 31, 2016 re-presented(1)	As of December 31, 2017
Weighted average number of ordinary shares *(in millions of shares)*	**549.0**	**550.8**
Weighted average number of ordinary shares for the calculation of basic earnings per share	549.0	550.8
Theoretical number of additional shares resulting from the exercise of share purchase and subscription options	19.5	23.8
Weighted average number of ordinary shares for the calculation of diluted earnings per share *(in millions of shares)*	**568.5**	**574.6**
Net income (loss) attributable to owners of the Company per share *(in € million)*		
Net income (loss) attributable to owners of the Company	314.3*	333.8*
Net income (loss) attributable to owners of the Company per share:		
Basic	0.57	0.60
Diluted	0.55	0.58
Net income (loss) from discontinued operations attributable to owners of the Company per share *(in € million)*		
Net income (loss) from discontinued operations attributable to owners of the Company	(25.8)	13.4
Net income (loss) from discontinued operations attributable to owners of the Company per share:		
Basic	(0.05)	0.02
Diluted	(0.05)	0.02
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE *(in € million)*		
Net income (loss) from continuing operations attributable to owners of the Company	340.1	320.4
Net income (loss) from continuing operations attributable to owners of the Company per share:	-	-
Basic	0.62	0.58
Diluted	0.60	0.56

(1) 2016 adjustments concern the reclassification of Lithuania in discontinued operations in accordance with IFRS 5.
** Pursuant to IAS 33.9 and IAS 12, adjusted net income attributable to owners of the Company includes the coupon cost attributable to holders of deeply subordinated securities issued by Veolia Environnement (-€67.8 million in 2017 and -€68.8 million in 2016).*

The only potentially dilutive instruments recognized by Veolia Environnement are the share subscription and purchase options presented in Note 6.2.2.

NOTE 10 PROVISIONS

Pursuant to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, a provision is recorded when, at the year end, the Group has a current legal or implicit obligation to a third party as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions cover all losses that are considered probable, and that relate to litigation (taxation, employee or other) arising in the normal course of Veolia's business operations.

As part of its obligations under public services contracts, Veolia generally has contractual obligations for the maintenance and repair of the installations it manages. The resulting maintenance and repair costs are analyzed in accordance with IAS 37 on provisions and, where necessary, a provision for contractual commitments is recorded where there are delays in work to be performed.

In the event of a restructuring, an obligation exists if, prior to the period end, the restructuring has been announced and a detailed plan produced or implementation has commenced. Future operating costs are not provided.

In the case of provisions for rehabilitation of landfill facilities, Veolia accounts for the obligation to restore a site as waste is deposited, recording a non-current asset component and taking into account inflation and the date on which expenses will be incurred (discounting). The asset is amortized based on its depletion.

Provisions for closure and post-closure costs encompass the legal and contractual obligations of the Group on the completion of operating activities at a site (primarily site rehabilitation provisions) and, more generally, expenditure associated with environmental protection as defined in the Ethics Charter of each entity (provision for environmental risks).

Provisions giving rise to an outflow after more than one year are discounted if the impact is material. Discount rates reflect current assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recorded in the Consolidated Income Statement in "Other financial income and expenses".

Movements in non-current and current provisions during **2017** are as follows:

(in € million)	As of December 31, 2016	Addition/ Charge	Repayment/Utilization	Reversal	Actuarial gains (losses)	Unwinding of the discount	Change in consolidation scope	Foreign exchange translation	Non-current/ current reclassification	Other movements	As of December 31, 2017
Tax litigation	132.9	15.3	(22.0)	(23.2)	-	-	-	(1.6)	-	2.0	103.4
Employee litigation	22.5	4.9	(5.2)	(1.9)	-	-	(0.2)	(0.1)	-	1.7	21.7
Other litigation	194.7	34.5	(23.5)	(15.7)	-	0.2	0.1	(4.6)	-	(14.4)	171.3
Contractual commitments	183.9	195.2	(190.8)	(2.6)	-	0.5	0.2	(0.1)	-	0.9	187.2
Provisions for work-in-progress and losses to completion on long-term contracts	129.4	41.7	(33.8)	(7.1)	-	2.2	24.2	(7.6)	-	(3.5)	145.5
Closure and post-closure costs	636.9	14.5	(34.3)	(29.8)	-	52.8	10.3	(17.4)	-	3.1	636.1
Restructuring provisions	91.5	107.7	(33.2)	(41.4)	-	-	-	(1.5)	-	(0.7)	122.4
Self-insurance provisions	201.1	56.2	(54.8)	(6.7)	-	0.8	-	(2.7)	-	0.8	194.7
Other provisions	196.9	59.1	(25.2)	(28.0)	-	0.4	6.3	(3.5)	-	(13.0)	193.0
Provisions excluding pensions and other employee benefits	**1,789.8**	**529.1**	**(422.8)**	**(156.4)**	**-**	**56.9**	**40.9**	**(39.1)**	**-**	**(23.1)**	**1,775.3**
Provisions for pensions and employee benefits	**893.3**	**59.0**	**(85.5)**	**(28.9)**	**(105.8)**	**15.3**	**4.0**	**(16.0)**	**-**	**7.9**	**743.3**
TOTAL PROVISIONS	2,683.1	588.1	(508.3)	(185.3)	(105.8)	72.2	44.9	(55.1)	-	(15.2)	2,518.6
NON-CURRENT PROVISIONS	2,123.7	324.8	(276.3)	(71.3)	(105.8)	68.8	33.3	(45.7)	(100.9)	(9.0)	1,941.6
CURRENT PROVISIONS	559.4	263.3	(232.0)	(114.0)	-	3.4	11.6	(9.4)	100.9	(6.2)	577.0

Provisions for litigation total €296.4 million overall as of December 31, 2017, compared with €350.1 million overall as of December 31, 2016.

The France, Europe excluding France, Rest of the world and Global businesses operating segments account for €80.1 million, €81.0 million, €43.8 million and €49.3 million of these provisions, respectively, as of December 31, 2017.

Additional information on the main litigation is presented in Note 12.

As of December 31, 2017, **provisions for contractual commitments** primarily concern the Rest of the world operating segment in the amount of €100.3 million, including €99.1 million in Gabon.

Provisions for work-in-progress and losses to completion on long-term contracts total €145.5 million as of December 31, 2017 and mainly concern the France operating segment in the amount of €35.4 million, the Europe excluding France operating segment in the amount of €28.4 million, the Rest of the world operating segment in the amount of €46.1 million and the Global businesses operating segment in the amount of €35.6 million.

Provisions for closure and post-closure costs total €636.1 million as of December 31, 2017 compared with €636.9 million as of December 31, 2016 and mainly concern the following operating segments:

- France in the amount of €230.7 million in 2017, compared with €227.3 million in 2016;
- Europe excluding France, in the amount of €202.1 million in 2017, compared with €208.7 million in 2016.

The change in these provisions in 2017 is mainly due to the unwinding of the discount in the amount of €52.8 million, net reversals of provisions in the amount of -€49.6 million and foreign exchange translation gains and losses in the amount of -€17.4 million.

By nature of obligation, these provisions concern:

- provisions for site rehabilitation in the amount of €571.1 million at the end of 2017 compared with €552.7 million at the end of 2016;
- provisions for environmental risks in the amount of €50.2 million at the end of 2017 compared with €58.5 million at the end of 2016;
- provisions for plant dismantling in the amount of €14.7 million at the end of 2017, compared with €25.7 million at the end of 2016.

Self-insurance provisions were mainly recorded by Group insurance and reinsurance subsidiaries.

Other provisions include various obligations recorded as part of the normal operation of the Group's subsidiaries and which are of immaterial individual amount. They primarily concern the following operating segments:

- France in the amount of €31.1 million as of December 31, 2017, compared with €33.4 million as of December 31, 2016;
- Europe excluding France, in the amount of €60.3 million as of December 31, 2017, compared with €62.4 million as of December 31, 2016;
- the Rest of the world in the amount of €39.0 million as of December 31, 2017, compared with €39.3 million as of December 31, 2016.

Provisions for **pensions and other employee benefits** as of December 31, 2017 total €743.2 million, and include provisions for pensions and other post-employment benefits of €655.8 million (governed by IAS 19 and detailed in Note 6.3) and provisions for other long-term benefits of €87.4 million.

NOTE 11 INCOME TAX EXPENSE

11.1 Income taxes

The income tax expense (income) includes the current tax expense (income) and the deferred tax expense (income).

11.1.1 Analysis of the income tax expense

The income tax expense breaks down as follows:

(in € million)	2016 represented	2017
Current income tax (expense) income	**(191.0)**	**(184.8)**
France	(11.7)	7.3
Other countries	(179.3)	(192.1)
Deferred tax (expense) income	**(0.2)**	**(43.0)**
France	(2.1)	(6.5)
Other countries	1.9	(36.5)
TOTAL INCOME TAX EXPENSE	**(191.2)**	**(227.8)**

A number of French subsidiaries elected to form a consolidated tax group with Veolia Environnement as the head company. Veolia Environnement is liable to the French Treasury Department for the full income tax charge, calculated based on the Group tax return. Any tax savings are recognized at Veolia Environnement level.

11.1.2 Effective tax rate

	2016 represented	2017
Net income (loss) from continuing operations (a)	511.9	525.9
Share of net income (loss) of associates (b)	27.4	34.9
Share of net income (loss) of joint ventures (c)	66.8	63.5
Share of net income (loss) of other equity-accounted entities (d)	27.4	22.8
Income tax expense (e)	(191.2)	(227.8)
Net income from continuing operations before tax (f) = (a)-(b)-(c)-(d)-(e)	581.5	632.5
Effective tax rate - (e)/(f)	**32.9%**	**36.0%**
Theoretical tax rate(1)	**34.4%**	**34.4%**
Net impairment losses on goodwill not deductible for tax purposes	-0.1%	0.1%
Differences in tax rate	-12.6%	-8.1%
Capital gains and losses on disposals	-3.7%	0.0%
Dividends	3.0%	0.6%
Taxation without basis	4.1%	0.5%
Effect of tax projections(2)	15.1%	5.0%
Other permanent differences	-7.4%	3.5%
EFFECTIVE TAX RATE	32.9%	36.0%

(1) The tax rate indicated is the statutory tax rate in France applicable in fiscal years 2016 and 2017.
(2) Effect of tax projections include primarily impairment losses on deferred tax assets and capitalized deferred taxes.

The main elements explaining the effective tax rate in 2017 are as follows:

- recognition of an impairment loss of €37 million on deferred tax assets on US tax group losses, following the tax rate reduction introduced by US tax reforms and applicable from January 1, 2018;
- the non-capitalization of French tax group losses.
- transactions in countries with a lower tax rate than the French standard rate;
- tax income of €20 million in respect of the dispute concerning the 3% contribution on dividends in France.

It is recalled that the main elements explaining the effective tax rate in 2016 were as follows:

- the non-capitalization of Veolia tax group losses;
- the impact of the tax rate decrease in some countries.

11.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities are generally recognized on timing differences and/or tax loss carry forwards.

Deferred tax assets arising from timing differences are only recognized when it is probable that:

- there are sufficient taxable timing differences within the same tax group or tax entity that are expected to reverse in the same periods as the expected reversal of such deductible timing differences or in the periods when the deferred tax assets arising from tax losses can be carried back or forward; or
- the Group is likely to generate sufficient future taxable profits against which the asset can be offset.

At each period end, the Group reviews the recoverable amount of deferred tax assets arising from material tax losses carried-forward.

Deferred tax assets arising from these tax losses are no longer recognized or are reduced when required by the specific facts and circumstances of each company or tax group concerned, and particularly when:

- the forecast period and uncertainties regarding the economic environment no longer enable the probability of utilization to be assessed;
- the companies have not started utilizing the losses;
- the forecast utilization period exceeds the carry forward period authorized by tax legislation;
- offset against future taxable profits is uncertain due to the risk of different interpretations of the application of tax legislation.

Deferred tax assets and liabilities are adjusted for the effects of changes in prevailing tax laws and rates at the year end. Deferred tax balances are not discounted.

Movements in deferred tax assets and liabilities during **2017** are as follows:

(in € million)	December 31, 2016	Changes in business through net income	Changes in business through equity	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets/ Liabilities classified as held for sale	Other	December 31, 2017
Deferred tax, gross	2,487.7	(236.5)	(24.6)	27.8	(111.8)	(18.2)	(15.8)	2,108.6
Deferred tax assets not recognized	(1,276.6)	55.3	1.5	27.0	52.7	-	(11.6)	(1,151.7)
DEFERRED TAX ASSETS, NET	1,211.1	(181.2)	(23.1)	54.8	(59.1)	(18.2)	(27.4)	956.9
DEFERRED TAX LIABILITIES	1,079.8	(139.8)	(0.7)	77.1	(36.9)	(10.4)	1.0	970.1

As of December 31, 2017, deferred tax assets not recognized totaled -€1,151.7 million, including -€845.6 million on tax losses and -€306.1 million on timing differences. As of December 31, 2016, such deferred tax assets totaled -€1,276.6 million, including -€948.8 million on tax losses and -€327.8 million on timing differences.

In France, based on taxable projected income, the Veolia tax group restricted the recognition of deferred tax assets to the amount of deferred tax liabilities, as at the previous year end.

Deferred tax assets and liabilities **break down by nature** as follows:

(in € million)	As of December 31, 2016	As of December 31, 2017
DEFERRED TAX ASSETS		
Tax losses	1,296.8	1,066.9
Provisions and impairment losses	363.0	162.3
Employee benefits	247.9	201.7
Financial instruments	82.3	106.9
Operating financial assets	53.8	42.0
Fair value of assets purchased	12.0	36.5
Foreign exchange gains and losses	-	0.9
Finance leases	6.2	6.8
Intangible assets, Property, plant and equipment, and operating financial assets	108.9	96.6
Other	316.8	388.0
DEFERRED TAX ASSETS, GROSS	2,487.7	2,108.6
DEFERRED TAX ASSETS NOT RECOGNIZED	(1,276.6)	(1,151.7)
RECOGNIZED DEFERRED TAX ASSETS	1,211.1	956.9

(in € million)	As of December 31, 2016	As of December 31, 2017
DEFERRED TAX LIABILITIES		
Intangible assets and Property plant and equipment	519.2	430.9
Fair value of assets purchased	162.5	175.7
Operating financial assets	94.2	72.7
Financial instruments	24.5	18.2
Finance leases	63.0	58.2
Provisions	48.1	39.8
Foreign exchange gains and losses	3.1	5.9
Employee benefits	39.4	35.9
Other	125.8	132.8
DEFERRED TAX LIABILITIES	1,079.8	970.1

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The breakdown **by main tax group** as of December 31, 2017 is as follows:

(in € million)	Recognized deferred tax assets on tax losses	Recognized deferred tax assets on timing differences	Deferred tax liabilities on timing differences	Net recognized deferred tax position
France Veolia tax group	1.2	93.8	(93.8)	1.2
US tax group	118.0	127.6	(181.6)	64.0
TOTAL FOR THE MAIN TAX GROUPS	119.2	221.4	(275.4)	65.2

As of December 31, 2017, the tax group in the United States has ordinary tax losses carried forward, relating to the restructuring of Water activities in 2006 and associated with losses incurred by the former activities of US Filter.

The timing schedule for the reversal of the net deferred tax position on timing differences and the deferred tax asset position on tax losses of the France tax group and the United States tax group is as follows:

	Deferred tax assets on tax losses			Net deferred tax on timing differences			Total		
(in € million)	5 years or less	More than 5 years	Total	5 years or less	More than 5 years	Total	5 years or less	More than 5 years	Total
France Veolia tax group	1.2	-	1.2	-	-	-	1.2	-	1.2
US tax group	118.0	-	118.0	17.6	(71.6)	(54.0)	135.6	(71.6)	64.0

The **expiry schedule** for deferred tax assets on tax losses recognized and not recognized as of December 31, 2017 is as follows:

	Maturity			
(in € million)	5 years or less	More than 5 years	Unlimited	Total
Recognized tax losses	28.4	126.6	66.3	221.3
Tax losses not recognized	(64.3)	(56.0)	(725.2)	(845.5)

Deferred tax assets and liabilities **break down by destination** as follows:

(in € million)	As of December 31, 2016	As of December 31, 2017
DEFERRED TAX ASSETS, NET		
Deferred tax assets through net income	1,118.9	892.2
Deferred tax assets through equity	92.2	64.7
DEFERRED TAX ASSETS, NET	1,211.1	956.9
DEFERRED TAX LIABILITIES		
Deferred tax assets through equity	1,053.6	945.5
Deferred tax assets through equity	26.2	24.6
DEFERRED TAX LIABILITIES	1,079.8	970.1

11.3 Tax audits

In the normal course of their business, the Group entities in France and abroad are subject to regular tax audits. Revised assessments and identified uncertain tax positions in respect of which a revised assessment has not yet been issued are adequately provided, and provision amounts are regularly reviewed in accordance with IAS 37 criteria.

The tax authorities have carried out various tax audits in respect of both consolidated tax groups and individual entities. To date, none of these reviews have led to liabilities to the tax authorities materially in excess of amounts estimated during the review of tax risks.

In estimating the risk as of December 31, 2017, the Group took account of the expenses that could arise as a consequence of these audits, based on a technical analysis of the positions defended by the Group before the tax authorities. The Group periodically reviews the risk estimate in view of developments in the audits and legal proceedings.

During the reorganization in 2006 of the former US. Filter (acquired in 1999), Veolia, through its subsidiary VENAO, sought a tax deduction pursuant to the "Worthless Stock deduction" (WSD) provisions under US tax law. Related tax losses totaled US$4.5 billion (tax base) as of December 31, 2006. The Group submitted a Pre-filing agreement request in 2007 to validate this amount as of December 31, 2006, which led to a tax audit by the US Internal Revenue Service (IRS), that is still ongoing.

On October 24, 2017, Veolia received a Notice of Proposed Adjustment (NOPA) rejecting all the losses and challenging, in particular, the insolvency of the US subsidiary at the end of 2006 (condition precedent to application of the Worthless Stock deduction). This is a preliminary assessment and no payments are currently required.

Veolia continues its discussions with the IRS with a view to resolving or narrowing the issues and replied to this NOPA on January 22, 2018, refuting the merits of the IRS's arguments.

The NOPA of October 24, 2017 will be followed by a revenue agent's report which can be appealed to an Appeals Committee, the IRS administrative body tasked with resolving disputes before they go to court by reaching a settlement agreement. In most cases, this procedure reaches a compromise between the IRS's and the Company's positions. Where disagreement remains, an appeal can be filed with the courts.

The Group, in agreement with its legal advisors, continues to view the tax positions adopted as robust. The Group's total exposure in the event the revised assessment is confirmed at the end of the procedure, taking account of losses utilized since 2006 and the recognition of deferred tax assets, would be US$795 million (excluding interest and penalties). Conversely, a favorable outcome would allow the progressive recognition of additional deferred tax assets, based on the Group's ability to utilize these losses before they expire in 2026.

NOTE 12 CONTINGENT ASSETS AND LIABILITIES

In accordance with IAS 37 criteria, management does not consider it appropriate to record a provision or, as the case may be, an additional provision, or to recognize deferred income with respect to the following legal, administrative or arbitration proceedings as of December 31, 2017, due to the uncertain nature of their outcome.

The main contingent assets and liabilities relating to legal, administrative or arbitration proceedings are presented below:

North America

United States – Water – Flint

In April 2014, in an attempt to save money, the emergency manager ("Emergency Manager") in charge of the City of Flint, Michigan ("Flint"), ordered that it switch its water supply source (previously provided from Detroit) and begin treating Flint River water for distribution to its residents.

Soon after, Flint residents began to complain about its odor, taste and appearance. Between August 2014 and December 2014, Flint experienced a number of water quality issues resulting in violations of National Primary Drinking Water Regulations including Total Trihalomethanes (TTHM, which are disinfection byproducts) maximum contaminant level violations.

In February 2015, Flint hired a US subsidiary of the Company, Veolia Water North America Operating Services, LLC ("VWNAOS") for an analysis related to residual effects of chlorine process (TTHM), discoloration and taste and odor issues. The scope of work of this one-time (invoiced US$40.000), approximately four-week analysis did not include lead and copper tests.

On February 18, 2015, VWNAOS issued an interim report, which included a statement that the drinking water was "safe" in that it complied "with state and federal standards and required testing". During the public meeting, which was organized by the Flint City Council Public Works Committee in relation to VWNAOS's interim report, VWNAOS employees communicated to the public the results of said report. The City had previously informed VWNAOS that the City, and not VWNAOS, would be conducting lead testing.

On March 12, 2015, VWNAOS delivered its final report to Flint, then made available to the public. In its report, VWNAOS issued a broad set of recommendations to address TTHM compliance and improve water quality related to odor and discoloration. It would appear that many of these recommendations were ignored by the local authorities

On June 24, 2015, the US Environmental Protection Agency issued a memorandum summarizing the available information regarding activities conducted by the City of Flint and several governmental agencies in response to high lead levels in City drinking water reported by a Flint resident.

On October 21, 2015, the office of the Governor of the State of Michigan commissioned the Flint Water Advisory Task Force, a consulting group made up of experts in a variety of disciplines, to conduct an independent review of the Flint water crisis, including lead contamination of residents.

On March 21, 2016, Flint Water Advisory Task Force issued its final report, drafted after interviewing numerous individuals and reviewing many documents. The Task force report came to the conclusion that the responsibility for the Flint water crisis rested largely with several governmental agencies and the City of Flint. Notably, the report highlighted that the Michigan Department of Environmental Quality and the City of Flint did not require and implement corrosion control at the time of change of water supply source, contrary to what is required under the federal Lead & Copper Rule to avoid contamination of drinking water. A total of fifteen current or former state and local employees have been charged with criminal conduct in their mishandling of the lead issues.

Individual and class actions

Since February 2016, numerous individual complaints and class actions have been filed before Michigan and Federal courts by Flint residents against a number of defendants, including the State of Michigan, the Michigan Department of Environmental Quality and the US subsidiaries of the Company, Veolia North America ("VNA") and VWNAOS. Flint residents allege injury and damages by exposure to toxins, including lead, contained within Flint River water and have levied accusations of professional negligence and fraud.

The Company has been named in a dozen class actions and hundreds of individual actions. In five of the class actions, the Company has entered into tolling agreements with the defendants aiming to dismiss the Company without prejudice to them, thus suspending the statute of limitations. In all the remaining class actions, time for serving the Company has expired.

In January 2018 a mediation process started by order of the court presiding over the lawsuits in Federal court. The mediators required the attendance of all parties to the Federal litigation, which includes the US subsidiaries of the Company but not the Company itself.

Civil action of the State of Michigan's Attorney General

On June 22, 2016, the State of Michigan's Attorney General filed a civil action against several corporations, including VWNAOS and the Company itself, for their alleged role in the Flint water crisis. The Attorney General subsequently dismissed that initial action, and filed a new civil action on August 16, 2016. Among other allegations, the Attorney General refers to the interim report delivered by VWNAOS. The Attorney General alleges that the acts and omissions of these companies constitute professional negligence and fraud.

Subsequent to filing the new action, the Attorney General agreed to dismiss the Company without prejudice. On September 12, 2016, stipulations of dismissal were filed with the court to that effect. Thus, the Company is no longer a party to either of the Attorney General actions; however, the Attorney General action against the Company's subsidiaries is ongoing.

The Group strongly contests the merits of all these legal proceedings.

These lawsuits have been reported to the insurers, who have reserved their rights with respect to the guarantee from which the Company and its US subsidiaries benefit.

Central and Eastern Europe

Romania

In 2000, Apa Nova Bucuresti ("ANB"), Veolia Eau's Romanian subsidiary in which it holds a 74% stake, signed a 25-year concession agreement for water distribution and wastewater services with the city of Bucharest.

At the end of July 2015, the National Anticorruption Division of Ploiesti ("NAD") opened an investigation on influence peddling involving several persons and entities, including several Romanian subsidiaries of the Company.

ANB and certain of its former managers are suspected of having purchased, between 2008 and 2015, the influence of three natural persons in order to obtain favorable decisions from Bucharest's public authorities, resulting in significant increases in water prices. In exchange for their influence, ANB allegedly made significant payments to companies controlled by these three persons or related persons, without these payments being proportionate to the services rendered, and without these services necessarily being real.

Since August 2015, ANB, as well as other subsidiaries of the Company with water and energy activities in Romania, have provided the NAD, at its request, with numerous documents.

Throughout October 2015, three former managers of ANB were questioned by the NAD, and then placed under the status of "*inculpat*" and under judicial supervision.

On October 30, 2015, ANB was placed under this same status, for bribery, buying influence, invasion of privacy, tax evasion and money laundering.

The investigation continues and to date, the file has not been sent to Court.

ANB is cooperating with the NAD. So far, it only has partial access to the criminal case file.

The Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) are currently conducting investigations concerning possible violations of US federal laws, relating to the facts which are the subject of NAD's investigation. As part of its investigation, the SEC has asked the Company to voluntarily provide documents and information regarding these facts. At the SEC's behest, as part of international cooperation, the Autorité des Marchés Financiers (AMF) has made requests of the Company as well, which are also related to the facts which are the subject of NAD's investigation, in connection with its own investigation on the matter.

The Company is fully cooperating with the investigating authorities and, in particular, providing all requested information, in accordance with applicable laws.

In 2017, the Parquet National Financier confirmed that a preliminary investigation has been launched.

In January 2018, a search took place in the Company's premises in Aubervilliers and some hearing of witnesses were conducted.

Lithuania – Energy

Between 2000 and 2003, the Lithuanian subsidiaries of the Group, UAB Vilniaus Energija ("UVE") and UAB Litesko ("Litesko"), signed a number of contracts with Lithuanian cities, of which the most significant was with the city of Vilnius ("Vilnius") in 2002 to rent, operate and modernize the heating and electricity production and distribution infrastructure. The Group made significant investments over the years for which it is awaiting a cost evaluation and a return on its investment.

The government publicly, and on numerous occasions, accused the Group of being responsible for high heating prices by waging a sustained campaign against it.

Several steps were thus taken by the authorities and public entities against the Lithuanian subsidiaries of the Group.

Actions to pass on consumer heating costs to UVE

- With Vilnius's approval, UVE installed individual heat exchange sub-stations. In September 2011, the law governing the heating sector was amended to transfer the ownership of these sub-stations to apartment owners, without compensating the investors. Although the courts and the national commission for energy and price control (the "National Commission") recognized UVE's right to compensation, they nevertheless ruled that they lacked jurisdiction to enforce the exercise of such right. On September 20, 2017, UVE lodged an appeal before the supreme administrative court. The hearing has not been scheduled yet. To date, UVE has still not received any compensation.
- In 2008 and 2009, UVE respectively proposed to Vilnius and the National Commission to invest in a smoke condenser. Both entities refused to approve this investment. Pursuant to the applicable regulations, UVE therefore invested on a private basis. However, in October 2014, the National Commission unilaterally reduced UVE's heating prices to capture the savings realized with the help of this condenser despite no legal basis. On October 13, 2015, the administrative court rejected UVE's complaint against this decision. On October 27, 2015, UVE lodged an appeal before the supreme administrative court, which dismissed it on November 2, 2016. In March 2016, the National Commission approved a reduction in UVE's heating prices, established by Vilnius in September 2015, following a new calculation of the economic effects of smoke condensers. On October 23, 2015, UVE lodged an appeal before the administrative court against Vilnius' decision. On April 11, 2016, UVE also lodged an appeal before such court against the National Commission's decision. The court combined the two appeals and then dismissed them on October 17, 2016. UVE has lodged an appeal before the supreme administrative court. A date for the hearing has yet to be scheduled.
- On December 11, 2015, the regional administrative court of Vilnius cancelled the heating prices that the National Commission had established for UVE for a period of five years (2011-2015), by calling on the National Commission to retroactively reduce prices. UVE appealed on December 28, 2015 before the supreme administrative court; a hearing was scheduled for August 17, 2016. The appeal has suspensive effect. On January 24, 2017, the supreme administrative court upheld the regional administrative court's decision, which went into effect on the same day. UVE submitted a request for renewal of the proceedings which was dismissed by the supreme administrative court on June 16, 2017.

Actions to render the Group's combined heat power plants economically non-viable

Vilnius' contract requires UVE to operate combined heat power plants, producing both heat and electricity, and to produce electricity for sale. The government established an annual electricity purchasing quota for the national public electricity company (Lesto) at a specific price, ensuring sufficient demand for electricity generated by the combined heat power plants.

The government decided to terminate the electricity purchasing quota system as of January 1, 2016. Without these quotas, the most important of the combined heat power plants operated by UVE, VE-3, is no longer economically viable. As a result, UVE notified the municipal heating network company, controlled by Vilnius, Vilniaus Silumos Tinklai ("VST"), that VE-3 would cease operating on January 1, 2016 and would be returned.

VST declared its refusal to take back VE-3, requiring UVE to bear the socio-economic costs resulting from the terminated quotas until the end of the agreement, *i.e.* on March 29, 2017.

Actions to sanction the Group due to heat price increases

- Competition Council

(i) UVE

On January 18, 2011, UVE signed a five-year biofuel supply agreement (the "Agreement") with a company named Bionovus in order to provide heat to Vilnius, for which it manages the network. On February 25, 2013, the competition council of the Republic of Lithuania (the "Competition Council") decided to open an investigation regarding compliance of operators in biofuel production and distribution with Lithuanian competition law.

On December 2, 2015, the Competition Council imposed a €19 million fine on UVE for restricting competition under the Agreement. UVE challenges that decision since (i) the supplies involved were open to competition *via* a call for tenders and in accordance with applicable laws, (ii) the relevant biofuel market used by the Competition Council for its investigation is not justified and (iii) this fine is disproportionate as it is established on all of UVE's heating sales whereas only 15% of these sales are generated from biofuels.

On December 22, 2015, UVE initiated an appeal against this decision before the administrative court of Vilnius, which suspended the payment for the duration of the proceeding. On October 18, 2016, the administrative court reduced the fine to €17.1 million but did not modify the rest of the Competition Council's decision. On November 17, 2016, UVE lodged an appeal before the supreme administrative court. A date for the hearing has yet to be scheduled.

(ii) Litesko

On August 2, 2001, a 15-year agreement was concluded between Litesko, the city of Alytus ("Alytus") and its municipal utility, Alytus Silumos Tinklai ("AST") to operate and modernize the heat infrastructure of Alytus. In June 2005, a ten-year extension was agreed upon (until 2026) in return for a commitment on Litesko's part to invest. In December 2007, Alytus requested an additional investment: a new biofuel plant. In exchange, Alytus agreed to allow Litesko to remain the owner of the plant after the agreement's expiration in 2026.

On September 9, 2015, the Competition Council concluded that Alytus had violated competition law by extending the agreement and by accepting that Litesko would remain the owner of the biofuel plant. It called upon Alytus to reconsider the commitments made in 2005 and 2007. Alytus did not file any appeal against this decision. On September 29, 2015, Litesko lodged an appeal against the Competition Council's decision before the administrative court of Vilnius, which rejected such appeal on February 29, 2016. Litesko filed an appeal on March 14, 2016 before the supreme administrative court, with suspensive effect. On July 14, 2017, the supreme administrative court dismissed Litesko's appeal.

On January 15, 2016, Alytus informed Litesko that the commitments granted in 2005 and 2007 were null and void and that, consequently, the biofuel plant was to be transferred to AST on June 1, 2016.

On August 17, 2016, Alytus filed a claim before the civil court of Kaunas in order to request the transfer of AST's heating facilities. Alytus also requested €8.3 million in indemnities (later increased to €11,7 million), with respect to calculated heating prices, and €5.9 million for allegedly abandoned investments in Alytus' heating system.

On August 29, 2017, Litesko filed a counterclaim for an amount of €8.4 million, including circa €7 million for the additional investments. The hearings for the pleadings have been set for mid February – early March 2018.

- National Commission

(i) UVE

Following an inspection begun in August 2015 by the National Commission in order to assess the validity of the costs and revenues related to UVE's regulated activities for the 2012-2014 period, the National Commission, on August 18, 2016, provided UVE with a draft report in which it concluded that UVE had received unjustified revenues of approximately €24.8 million over this period. UVE contested the National Commission's conclusion and, on September 7, 2016, presented its arguments against the draft report. On September 22, 2016, the National Commission stated, in its final report, that UVE had received unjustified revenues in the amount of €24.3 million. On October 26, 2016, UVE sought relief before the administrative court. After the hearing for the pleadings which took place on January 31, 2018, the court indicated that it would render its decision on February 21, 2018.

On October 30, 2015, the National Commission found that UVE did not comply with its requests to submit documents and information during the inspection period. Accordingly the National Commission fined UVE for an amount of €600.000 on December 22, 2015. On January 20, 2016, UVE challenged this decision before the administrative court which decided to stay the proceedings until the issuance of a decision with respect to the final report case based on UVE's abovementioned complaint of October 26, 2016.

In addition, on October 14, 2016, on the basis of the results of the final report, the National Commission decided to reduce the new base heating prices for UVE by 23%. On November 14, 2016, UVE lodged an appeal before the administrative court. On June 26, 2017 the administrative court suspended the proceedings until the issuance of a decision with respect to final report case, based on UVE's abovementioned complaint of October 26, 2016.

On February 6, 2017, still on the basis of the final report findings, the National Commission drafted a memorandum concerning alleged breaches relating to regulated activities, in which it accused UVE of violating the principles and objectives of laws on energy and heating. UVE responded to these accusations in writing. On March 24, 2017, the National Commission imposed to UVE a fine of €1,3 million. On April 24, 2017, UVE initiated an appeal against this decision before the administrative court of Vilnius. On October 11, 2017, the court suspended the proceedings until the issuance of the decision with respect to the final report case, based on UVE's abovementioned complaint of October 26, 2016.

(ii) Litesko

On March 29, 2017, the National Commission approved the new heat base price for the next regulatory period in Alytus. Litesko contested the National Commission's decision regarding the new heat base price and appealed the National Commission's decisions to the administrative court of Vilnius on May 2, 2017. On October 24, 2017, the administrative court dismissed Litesko's appeal. Litesko then filed an appeal before the supreme administrative court. The hearing has not been scheduled yet.

It should also be noted that on October 12, 2017, the National Commission approved the new heat price in Birzai. On November 13, 2017, Litesko challenged the National Commission's decision before the Vilnius administrative court. At the hearing which took place on February 7, 2018, the case was postponed to a next hearing on February 28, 2018.

- Potential criminal liability of the managers of UVE and Litesko

In February 2012, an investigation was launched by the public prosecutor of Vilnius against the managers of UVE, Litesko and Dalkia Lietuva in connection with a natural gas purchase by UVE and Litesko, between 2003 and 2005, through a gas trading subsidiary, Dalkia Lietuva (liquidated in March 2014).

Although this gas purchase complied with the law, the public prosecutor brought charges of fraud and misuse of corporate assets before the criminal court of Vilnius. In October 2014, the defendants were referred to the court which started reviewing the case. It began with a hearing of the witnesses for the prosecution. During this stage, the prosecutor was recused by the court in January 2016 after having pursued legal action against a witness for the prosecution who had provided testimony favorable to the defense. On December 28, 2017, the court terminated the case because of the statute of limitations. The time limit to lodge an appeal has expired.

Proceedings initiated before the International Center for the Settlement of Investment Disputes ("ICSID") and the Stockholm Chamber of Commerce ("SCC")

Given the numerous legal actions and decisions described above, which are both inequitable and discriminatory, on January 26, 2016, the Company, Veolia Baltics and Eastern Europe, UVE and Litesko (collectively "the Companies") filed a request for arbitration against Lithuania before the International Center for the Settlement of Investment Disputes ("ICSID").

In addition, on December 12, 2016, the Companies filed a request with the arbitral tribunal for interim measures relating to Competition Council proceedings against UVE before Lithuanian courts, in the context of an order for the precautionary seizure of UVE's bank accounts; the request was withdrawn after the supreme administrative court reversed the seizure order.

On December 22, 2016, the Companies submitted their statement of claim, in which they are requesting an indemnity of circa €120 million. On September 17, 2017, Lithuania submitted its counter-memorial in which it presented a counterclaim of circa €150 million.

On November 30, 2016, in the context of the Vilnius agreement, the Company and UVE also filed a request for arbitration before the Stockholm Chamber of Commerce ("SCC") to secure the appointment of an independent expert to evaluate the condition of the assets before the agreement came to an end (March 29, 2017). That SCC arbitration has since expanded in scope to address claims by UVE against Vilnius and VST in connection with the March 2017 conclusion of the Vilnius lease, as well as possible counterclaims by the respondents. On May 26, 2017, the Company and UVE filed their revised request for arbitration, to which Vilnius and VST responded on July 3, 2017.

On October 16, 2017, the Company and UVE filed their statement of claim in which they are requesting an amount of circa €22 million. Vilnius and VST's statement of defense shall be submitted on February 19, 2018.

Other segments

Other segments –Regional aid to passenger road transportation

Transdev Group was informed by a letter from the President of the Ile-de-France Regional Council dated March 3, 2014, that on June 4, 2013, the Paris Administrative Court had instructed the Ile-de-France Region to proceed with the recovery of subsidies granted to operators under the plan for the improvement of public transportation services. These subsidies were deemed to be illegal State aids by a decision of the Paris Administrative Court of Appeals of July 12, 2010, on the grounds that no notification was made to the European Commission. According to the terms of the letter, this restitution obligation could affect certain of Transdev Group's subsidiaries that may have benefited from these subsidies, because the Paris Administrative Court of Appeals rejected on December 31, 2013 the Ile-de-France region's request for a stay of implementation on the restitution injunction.

This first notification was also sent to other regular line operators in the outer Paris suburbs. This letter is part of a legal dispute between the Ile-de-France Region and an occasional transportation company, and no subsidiary of the Transdev Group is a party to it. Although the Region mentions in its letter an estimated regional subsidized amount of approximately €98.7 million (not including interest) attributed to Transdev Group's subsidiaries, this estimate remains uncertain due to the complexity of the assessment resulting from, (i) the length of time the plan has existed, (ii) the number of operators that received the subsidies, a large number of which have since restructured/consolidated their activities, and (iii) the plan's operating rules, which involve local authorities which are either intermediaries (the sums paid by the Region passing through them) or economic beneficiaries under the plan. In addition, certain subsidies granted by the Ile-de-France Region should not be considered State aid, as the criteria relating to economic advantages and effects on trade have not been met.

If the Ile-de-France Region were to issue a recovery order, the Transdev Group or its concerned subsidiaries would lodge an appeal with suspensive effect before the administrative court.

Transdev Group, together with OPTILE (Organisation Professionnelle des Transports d'Ile-de-France, an association of all the private companies that operate regular lines in the Ile-de-France Transportation Plan), intends to contest any potential claims for repayment and intends to take legal action necessary to defend its interests.

In addition, by a decision on February 2, 2017, the European Commission concluded that the State aids granted by the Ile-de-France Region to operators of public transportation services by bus in the region from 1994 to 2008 were compatible with the internal market.

In light of this decision, the nominal amount of the State aids cannot be recovered. Only the interest accrued over the period of illegality (from the date on which the aid was granted and February 2, 2017) could be recovered.

A number of transportation companies, including subsidiaries of Transdev Group, lodged a partial annulment appeal against the Commission's decision before the General Court of the European Union. On a primary basis, the appellants claim that the subsidies granted by the region constitute existing aids and must not be taken into account in calculating interest. In the alternative, the appellants' claim that only the subsidies granted after November 25, 1998 should be taken into account in calculating the interest to be recovered and that any aid granted before this date would be time-barred.

In parallel, on February 27, 2015, Transdev Ile-de-France (as well as other interested members of OPTILE) filed before the Paris Administrative Court of Appeals:

- an application as a third party against the decision rendered by the same Court on July 12, 2010 that had stated that the subsidies in question were illegal, in which proceedings it was not a party;
- voluntary intervention, before the same Court, in the context of the appeal filed by the Ile-de-France Region against the decision of the Paris Administrative Court on June 4, 2013, asking that the Ile-de-France Region issue, as a consequence of the proceeding cited above, the enforcement orders allowing the recovery of the disputed aid.

By two decisions of November 27, 2015, the Paris Administrative Court of Appeals:

- rejected the third-party proceeding of Transdev Ile-de-France;
- required the Ile-de-France region to determine, within nine months, the amounts that should be returned by each beneficiary company of the aid plan, taking into account the nature of the subsidized investments and the type of transportation activity that was conducted, and issue recovery orders.

On January 27, 2016, Transdev Ile-de-France lodged an appeal against the decision to reject their third-party proceeding, which the French Supreme Administrative Court (*Conseil d'Etat*) admitted on July 12, 2016.

The Ile-de-France region lodged an appeal before the French Supreme Administrative Court against the decision requiring it to issue recovery orders. This appeal does not have suspensive effect.

NOTE 13 RELATED-PARTY TRANSACTIONS

The Group identifies related parties in accordance with the provisions of paragraph 9 of IAS 24 revised, Related Party Disclosures.

A breakdown of compensation and related benefits of key management (related parties) is presented in Note 6.4.

A breakdown of relations with joint ventures is presented in Note 5.2.4.1.

Relations with other related parties break down as follows:

Caisse des dépôts et consignations (4.62% shareholding as of December 31, 2017)

The Caisse des dépôts et consignations is considered a related party, as a legal entity director sitting on the Board of Directors of Veolia Environnement.

On December 21, 2016, Veolia Environnement and Caisse des dépôts et consignations finalized an agreement entered into on July 29, 2016 concerning Veolia Environnement's withdrawal from the transportation business and the share capital of Transdev Group. The agreements entered into pursuant to this agreement and which continued in 2017 are set out in Note 3.3 to the 2016 Consolidated financial statements.

Relations with Raise Investissement

In July 2016, Veolia Environnement subscribed to a share capital increase for cash by Raise Investissement SAS in the amount of €5 million (subscription for 5 million newly issued shares with a par value of one euro each). The subscription amount was paid up 50% in July 2016 and 25% in October 2017. The residual balance will be settled when called by the Chairman of this company within a maximum of five years.

The duties of Chairman of Raise Investissement SAS are performed by Raise Conseil SAS.

Mrs. Clara Gaymard, a director of Veolia Environnement, is considered a related party due to her position as Chief Executive Officer of Raise Conseil SAS.

Relations with SM Conseil

On March 20, 2017, Veolia Environnement entered into a three-year service agreement with SM Conseil SAS, commencing immediately. Under the terms of the agreement, Veolia Environnement retained this company to assist it(1) promote Veolia to other stakeholders and potential partners with the aim of developing its business and(2) identify potential decision-makers and managers likely to contribute to the implementation of its strategy.

This agreement provides for payment to SM Conseil of fixed remuneration of €400,000 per annum, adjusted in line with the SYNTEC index. It does not provide for the payment of "success fees".

SM Conseil is chaired by Mr. Serge Michel, a non-voting director (*censeur*) on the Veolia Environnement Board of Directors.

NOTE 14 SUBSEQUENT EVENTS

Gabon

By letter dated February 16, 2018, the Gabonese Republic unilaterally terminated the concession agreement signed with the Group's subsidiary, SEEG – Société d'énergie et d'eau du Gabon, (Gabon's Energy and Water Company), alleging reasons of general interest. The same day, through Ministerial order, all material and human resources were seized by the Gabonese government. A new Ministerial order has also designated a temporary delegated executive body in charge of implementing termination and seizure measures.

The Group has immediately strongly protested against this brutal and manifestly unlawful action and has done everything it could to support its employees in Gabon. Furthermore, Veolia is examining the legal consequences as well as legal actions that could result from this situation, and expects Gabon to comply with the rule of law and with its obligations.

Veolia, through its 51% subsidiary, SEEG, has managed the production, transport, and distribution of drinking water and electricity throughout all Gabon since 1997, under the terms of a 20-year contract with the Gabonese Republic, extended for five years in March 2017.

SEEG contribution to main 2017 aggregate can be summarized as follows:

(in € million)	
Revenue	306.2
EBITDA	63.6
Operating income	18.67
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	2.6

The SEEG value, in 2017 Group's consolidated financial statements, amounts to €40 million.

Disposal US Industrial Cleaning Services Division of Veolia North America

On January 23, 2018, Veolia Environmental Services North America, LLC, a subsidiary of Veolia North America, Inc. and Clean Harbors, Inc. announced the signing of a definitive agreement whereby Clean Harbors will acquire Veolia North America's US Industrial Cleaning Services Division for US$120 million in an all-cash transaction. The acquisition was completed on February 23, 2018.

NOTE 15 MAIN COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

In 2017, Veolia Group consolidated or accounted for a total of 1,611 companies and 2,243 companies including Transdev Group, of which the main companies are:

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Veolia Environnement SA 21 rue La Boétie 75008 Paris	403 210 032 00104	FC	100.00	100.00
FRANCE				
Water				
Veolia Eau-Compagnie Générale des Eaux 21 rue La Boétie 75008 Paris	572 025 526 10945	FC	100.00	100.00
Veolia Water 21 rue La Boétie 75008 Paris	421 345 042 00053	FC	100.00	100.00
Compagnie des Eaux et de l'Ozone 21 rue La Boétie 75008 Paris	775 667 363 02470	FC	100.00	100.00
Société Française de Distribution d'Eau 28 boulevard de Pesaro 92000 Nanterre	542 054 945 00416	FC	99.60	99.60
Compagnie Fermière de Services Publics ZAC de la Pointe 9, rue des Frênes 72190 Sargé-Lès-le Mans	575 750 161 00904	FC	99.87	99.87
Compagnie Méditerranéenne d'Exploitation des Services d'Eau – CMESE 1 rue Albert Cohen Immeuble Plein Ouest A 13016 Marseille	780 153 292 00187	FC	99.72	99.72
Société des Eaux de Melun Zone Industrielle – 198/398, rue Foch 77000 Vaux Le Pénil	785 751 058 00047	FC	99.32	99.32
Société des Eaux de Marseille 25, rue Edouard-Delanglade 13006 Marseille	057 806 150 00017	FC	98.02	98.02
Waste				
Veolia Propreté 21 rue La Boétie 75008 Paris	572 221 034 01230	FC	100.00	100.00
Routière de l'Est Parisien 28 boulevard de Pesaro 92000 Nanterre	612 006 965 00182	FC	100.00	100.00
ONYX Auvergne Rhône-Alpes 2/4, avenue des Canuts 69120 Vaulx-en-Velin	302 590 898 00656	FC	100.00	100.00
Onyx Est ZI de la Hardt – Route de Haspelschiedt 57230 Bitche	305 205 411 00070	FC	95.00	95.00
Paul Grandjouan SACO 6 rue Nathalie Sarraute 44200 Nantes	867 800 518 00609	FC	100.00	100.00
OTUS 28 boulevard de Pesaro 92000 Nanterre	622 057 594 00385	FC	100.00	100.00

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
OTHER EUROPEAN COUNTRIES				
Veolia Water UK Plc and its subsidiaries 210 Pentonville Road London N1 9JY (United Kingdom)		FC	100.00	100.00
Veolia ES (UK) Ltd and its subsidiaries 210 Pentonville Road London – N19JY (United Kingdom)		FC	100.00	100.00
Veolia Umweltservice GmbH and its subsidiaries Hammerbrookstrasse 69 20097 Hamburg (Germany)		FC	100.00	100.00
Veolia Deutschland GmbH and its subsidiaries Lindencorso Unter den linden 21 10117 Berlin (Germany)		FC	100.00	100.00
Braunschweiger Versorgungs- AG &Co.KG Taubenstrasse 7 38106 Braunschweig (Germany)		FC	74.90	74.90
Aquiris SA Avenue de Vilvorde, 450 1130 Bruxelles (Belgium)		FC	99.00	99.00
Apa Nova Bucuresti Srl Strada Aristide Demetriade nr 2, Sector 1 Bucarest (Romania)		FC	73.69	73.69
Veolia Central & Eastern Europe and its subsidiaries 21 rue La Boétie 75008 Paris	434 934 809 00032	FC	100.00	100.00
Veolia Energie Praha, a.s. Na Florenci 2116/15, Nové Město, 110 00 Praha 1 (Czech Republic)		FC	100.00	73.03
Prazske Vodovody A Kanalizace a.s. Ke Kablu 971/1 102 00 Prague 10 (Czech Republic)		FC	100.00	100.00
Severoceske Vodovody A Kanalizace a.s. 1 689 Pritkovska 41550 Teplice (Czech Republic)		FC	50.10	50.10
Sofiyska Voda AD Mladost region Mladost 4 Business Park Street Building 2a 1000 Sofia Sofia (Bulgaria)		FC	77.10	77.10
Veolia Energy UK Plc and its subsidiaries 210 Pentonville Road N1 9JY London (United Kingdom)		FC	100.00	99.96
Veolia NV-SA and its subsidiaries 52, quai Fernand-Demets 1070 – Bruxelles (Belgium)		FC	100.00	100.00
Siram SPA and its subsidiaries Via Bisceglie, 95 20152 Milano (Italy)		FC	100.00	99.96
Veolia Espana S.L.U.and its subsidiaries Cl Juan Ignacio Luca De tena, 4 28027 Madrid (Spain)		FC	100.00	99.96
Veolia Energia Polska ul. Puławska 2, Budynek Plac Unii C 02-566 Warszawa (Poland)		FC	60.00	59.98
Veolia Term SA and its subsidiaries ul Pulawska 2, 02-566 Warszawa (Poland)		FC	100.00	59.98
Veolia Energia Warszawa ans its subsidiary ul Pulawska 2, 02-566 Warszawa (Poland)		FC	97.03	58.19

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Veolia Nordic AB and its subsidiaries Hälsingegatan 47 113 31 Stockholm (Suède)		FC	100.00	99.96
Veolia Nederland BV and its subsidiaries Wattbaan 2 3439 ML Nieuwegen (Netherlands)		FC	100.00	99.97
Vilnius Energija Joconiu St. 13 02300 Vilnius (Lituania)		FC	100.00	99.96
Veolia Energy Hungary Co Ltd and its subsidiaries Szabadsag ut 301 2040 Budapest (Hongrie)		FC	99.97	99.93
Veolia Energia Slovensko A.S. and its subsidiaries Einsteinova 25 851 01 Bratislava (Slovakia)		FC	100.00	99.96
Veolia Energie CR A.S. and its subsidiaries 28.Rijna 3123/152 709 74 Ostrava (Czech Republic)		FC	73.06	73.03
REST OF THE WORLD				
VNA Regeneration Services LLC 4760 World Houston Parkway, Suite 100 Houston, TX 77032 (United States)		FC	100.00	100.00
Veolia Water Americas, LLC and its subsidiaries 53 State street 14th floor 02109 MA Boston (United States)		FC	100.00	100.00
Veolia Environmental Services North America 53 State street 14th floor 02109 MA Boston (United States)		FC	100.00	100.00
VES Technical Solutions LLC 53 State street 14th floor 02109 MA Boston (United States)		FC	100.00	100.00
Veolia ES Industrial Services, Inc. 4760 World Houston Parkway, Suite 100 Houston, 77032 TEXAS (United States)		FC	100.00	100.00
Veolia ES Canada Industrial Services Inc. 1705, 3e avenue H1B 5M9 Montreal – Québec (Canada)		FC	100.00	100.00
Veolia Holding America Latina SA Calle Torrelaguna 60, 2 Planta 28043 Madrid (Spain)		FC	100.00	100.00
Thermal North America Inc. 53 State Street, 14th floor 02109 Boston (United States)		FC	100.00	100.00
Beijing Yansan Veolia Water No. 5 Yanshan Xinghua East Road, 102500 BEIJING (China)		FC	50.00	50.00
Shenzhen Water (Group) Co. Ltd and its subsidiaries 23 Floor, Wan De Building Shennan Zhong Road Shenzhen, (China)		EA	45.00	25.00
Shanghai Pudong Veolia Water Corporation Ltd No. 703 Pujian Road, Pudong New District 200127 Shanghai (China)		EA	50.00	50.00
Changzhou CGE Water Co Ltd No. 12 Juqian Road, CHANGZHOU Municipality, Jiangsu Province 213000 (China)		EA	49.00	24.99
Kunming CGE Water Supply Co Ltd No. 6 Siyuan Road, Kunming Municipality, Yunnan Province 650231 (China)		EA	49.00	24.99

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Veolia Korea and its subsidiaries East 16 F Signature Towers Building Chungyechou-ro 100 Jung-gu (South Korea)		FC	100.00	100.00
Veolia Water Australia and its subsidiaries Level 4, Bay Center, 65 Pirrama Road, Pyrmont NSW 2009 (Australia)		FC	100.00	100.00
Société d'Énergie et d'Eau du Gabon 356 Avenue Felix Eboué – BP 2082 – Libreville (Gabon)		FC	51.00	51.00
Veolia Middle East and its subsidiaries 21 rue La Boétie 75008 Paris	505 190 801 00041	FC	100.00	100.00
Amendis 20 rue Imam Ghazali 90 000 Tanger (Morocco)		FC	100.00	100.00
REDAL SA 6 Zankat Al Hoceima, BP 161 10 000 Rabat (Morocco)		FC	100.00	100.00
Lanzhou Municipal Veolia Water Supply (Group) Co LTD No. 2 Hua Gong Street, Xigu District, LANZHOU, Gansu Province (China)		EA	35.84	18.27
Sharqiyah Desalination Co. SAOC PO Box 685, PC 114 Jibroo, (Sultanate of Oman)		EA	35.75	35.75
Tianjin Jinbin Veolia Water Co Ltd No. 2 Xinxiang Road, Bridge 4 Jin Tang Expressway, Dongli District Tianjin Municipality (China)		EA	49.00	49.00
Veolia Water – Veolia Environmental Service (Hong Kong) – VW- VES (HK) Ltd Units 7601-03&06-13,76/F, The Center, 99 Queen's Road Central, (Hong Kong)		FC	100.00	100.00
Veolia Environmental Services Australia Pty Ltd Level 4, Bay Center – 65 Pirrama Road NSW 2009 – Pyrmont (Australia)		FC	100.00	100.00
Veolia Environmental Services Asia Pte Ltd 143 Cecil Street, 17-00, GB Building 069542 (Singapore)		FC	100.00	100.00
Veolia Environmental Services China LTD Units 7601-02 and 06-13 76/F, the center, 99 Queen's road central (Hong-Kong)		FC	100.00	100.00
GLOBAL BUSINESSES				
Sade-Compagnie Générale de Travaux d'Hydraulique (CGTH-SADE) and its subsidiaries ZAC François Ory 23/25 avenue du docteur Lannelongue 75014 Paris	562 077 503 02584	FC	100.00	99.45
Veolia Water Technologies and its subsidiaries l'Aquarène 1, place Montgolfier 94417 St Maurice Cedex	414 986 216 00037	FC	100.00	100.00
OTV l'Aquarène – 1 place Montgolfier 94417 St Maurice Cedex	433 998 473 000 14	FC	100.00	100.00
SARP Industries and its subsidiaries 427, route du Hazay – Zone Portuaire Limay-Porcheville 78520 Limay	303 772 982 00029	FC	100.00	99.86
Société d'Assainissement Rationnel et de Pompage (SARP) and its subsidiaries 52 avenue des Champs Pierreux – 92000 Nanterre	775 734 817 00387	FC	100.00	99.68

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Société Internationale de Dessalement (SIDEM) 20-22 rue de Clichy – 75009 Paris	342 500 956 000 20	FC	100.00	100.00
Veolia Nuclear Solutions, Inc. and its subsidiaries 575 High street, suite 330, Palo Alto 94301 CA Californie (United States)		FC	100,00	100,00
OTHER				
Veolia Énergie International 21 rue La Boétie 75008 Paris	433 539 566 00045	FC	99.95	99.95
Including Transportation activities				
Transdev Group and its subsidiaries Immeuble Sereinis 32, boulevard Gallieni 92130 Issy Les Moulineaux	521 477 851 00039	EA	30.00	30.00

Consolidation method.
FC: Full consolidation –EA: Equity associate

The German subsidiaries of the Group are included in the enclosed consolidated financial statements. In accordance with Sections 264(3), 264-B and 291 of the German Commercial Code (HGB), these entities may exempt from the obligation to publish an annual report and present consolidated financial statements under German GAAP. Subsidiaries that have opted for this exemption are listed below:

Publication exemption	Company	Country	Currency
	Altavater Chernivzy	Ukraine	UAH
	Altvater Kiev	Ukraine	UAH
	Altvater Krym	Ukraine	RUB
	Altvater Ternopil	Ukraine	UAH
	Aqua Consult Ingenieur GmbH	Germany	EUR
	Biocycling GmbH	Germany	EUR
	BMA Essenheim GmbH	Germany	EUR
	Braunschweiger Netz GmbH	Germany	EUR
Yes	Braunschweiger Versorgungs-AG & Co. KG	Germany	EUR
	Braunschweiger Versorgungs-Verwaltungs-AG	Germany	EUR
	Cleanaway Pet Svenska AB	Sweden	SEK
	Dresdner Abfallverwertungs GmbH	Germany	EUR
	ERH Eurologistik Recycling Hamburg GmbH	Germany	EUR
	Eurologistik Umweltservice GmbH	Germany	EUR
	Eurologistik Verwaltung GmbH	Germany	EUR
	Eurologistik Wertstoffhandel GmbH	Germany	EUR
	Frassur Entsorgungsdienste GmbH	Germany	EUR
	Gasversorgung Görlitz GmbH	Germany	EUR
	Geraer Stadtwirtschaft GmbH	Germany	EUR
Yes	Globalis Service GmbH & Co. KG	Germany	EUR
	Globalis Beteiligungsgesellschaft mbH	Germany	EUR
Yes	GUD Geraer Umweltdienste GmbH & Co. KG	Germany	EUR
	GUD Geraer Umweltdienste Verwaltungs GmbH	Germany	EUR
	HRH Recycling GmbH	Germany	EUR
	Introtech Schwarza Gmbh	Germany	EUR
	Job & Mehr GmbH	Germany	EUR
	Kanalbetriebe Fritz Withofs GmbH	Germany	EUR
	Oewa Königsbrück GmbH	Germany	EUR
	Oewa Storkow GmbH	Germany	EUR
	Oewa Wasser und Abwasser GmbH	Germany	EUR
	Oewa Wegeleben GmbH	Germany	EUR
	Ökotec Energiemanagement GmbH	Germany	EUR
	Orks Onyx Rohr und Kanal-Service GmbH	Germany	EUR

Publication exemption	Company	Country	Currency
	OSD Ostthüringer Service- und Dienstleistungs-GmbH	Germany	EUR
	OTWA Ostthüringer Wasser und Abwasser GmbH	Germany	EUR
	Recycling & Rohstoffverwertung Kiel GmbH	Germany	EUR
	Recypet AG	Switzerland	CHF
Yes	Rohstoffhandel Kiel GmbH & Co. KG	Germany	EUR
	Service & Recycling Drebkau GmbH	Germany	EUR
	Stadtenwaesserung Braunschweig GmbH	Germany	EUR
	Stadreiningung Deesden GmbH	Germany	EUR
	Stadtwerke Görlitz Aktiengesellschaft	Germany	EUR
	Stadtwerke Pulheim Dienste GmbH	Germany	EUR
	Stadtwerke Weisswasser GmbH	Germany	EUR
	TVF Waste Solutions GmbH	Germany	EUR
	VBG Verwaltungs und Beteiligungsgesellschaft mbH	Germany	EUR
	Veolia Deutschland GmbH	Germany	EUR
	Veolia Energie Deutschland GmbH (formerly Veolia Projekt GmbH)	Germany	EUR
	Veolia Environnement Lausitz GmbH	Germany	EUR
	Veolia Industrieservice GmbH Deutschland	Germany	EUR
	Veolia Industrie Deutschland GmbH	Germany	EUR
	Veolia Industrie Park GmbH	Germany	EUR
	Veolia Stadtwerke Braunschweig Beteiligungs GmbH	Germany	EUR
	Veolia Umweltservice & Consulting GmbH	Germany	EUR
	Veolia Umweltservice Beteiligungsverwaltungs GmbH	Germany	EUR
	Veolia Umweltservice Dual GmbH	Germany	EUR
	Veolia Umweltservice GmbH	Germany	EUR
	Veolia Umweltservice GmbH Deutschland	Germany	EUR
	Veolia Umweltservice Nord GmbH	Germany	EUR
Yes	Veolia Umweltservice Ost GmbH & Co. KG	Germany	EUR
	Veolia Umweltservice Ost Verwaltungs GmbH	Germany	EUR
	Veolia Umweltservice Pet Recycling GmbH	Germany	EUR
	Veolia Umweltservice Ressourcenmanagement GmbH	Germany	EUR
Yes	Veolia Umweltservice Süd GmbH & Co. KG	Germany	EUR
	Veoliaumweltservice Süd Verwaltungs GmbH	Germany	EUR
	Veolia Umweltservice Wertstoffmanagement GmbH	Germany	EUR
	Veolia Umweltservice West Gmbh	Germany	EUR
	Veolia Verwaltungsgesellschaft Gmbh	Germany	EUR

NOTE 16 AUDIT FEES

Audit fees incurred by the Group, including fees related to equity associates, during fiscal years 2017 and 2016 total €30.3 million and €28.7 million, respectively, including:

- €24.6 million in 2017 and €24.5 million in 2016 in respect of the statutory audit of the accounts; and
- €5.7million in 2017 and €4.2 million in 2016 in respect of services falling within the scope of diligences directly related to the audit engagement.

4.1.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English speaking users.

This report includes information specifically required by European regulation or French law, such as information about the appointment of the Statutory Auditors.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2017

To the General Shareholders' Meeting of Veolia Environnement,

Opinion

In compliance with the engagement entrusted to us by your General Shareholders' Meetings, we have audited the accompanying consolidated financial statements of Veolia Environnement for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the results of operations of the Group for the year then ended and of its financial position and of its assets and liabilities as at December 31, 2017 in accordance with International Financial Reporting Standards as adopted by the European Union

The audit opinion expressed above is consistent with our report to the Accounts and Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) no. 537/2014 or in the French Code of Ethics (Code de déontologie) for Statutory Auditors.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period, as well as our responses to those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific elements, accounts or items of the consolidated financial statements.

Impairment tests on goodwill of the Poland, Czech Republic/Slovakia, Germany and Mexico cash-generating units and the Chinese Concessions

Notes 7.1.1, 7.1.2 and 5.2.4.1 to the consolidated financial statements

Risk identified

As at December 31, 2017, the total net carrying amount of goodwill amounts to €4,916 million. Goodwill of the Chinese concession joint ventures amounts to €240 million (group share) as at December 31, 2017. For the purpose of impairment tests, goodwill is allocated, from the acquisition date, to each of the cash-generating units (CGU) or each of the groups of cash-generating units (CGUs) that are expected to benefit from the business combination. The Group performs systematic annual impairment tests and more frequent tests where there is indication that the CGU or group of CGUs may have suffered a loss in value. The need to recognize an impairment is assessed by comparing the net carrying amount of the assets and liabilities of the CGU or group of CGUs with their recoverable amount. The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use. For CGUs that are not classified as held for sale (IFRS 5), the value in use is equal to the present value of future cash flows expected to be derived from the CGU. The impairment test method and the assumptions adopted are presented in Notes 7.1.2 and 5.2.4.1, to the consolidated financial statements.

Determining value in use requires the Group to make significant judgments, particularly regarding factors such as changes in economic data and market prices, efficiency gain and performance assumptions and discount rates and long-term growth rates. Sensitivity tests performed by the Group on the Czech Republic/Slovakia, Germany and Mexico CGUs, indicate that a change in assumptions produces recoverable amounts lower than the net carrying amounts, as disclosed in Notes 7.1.2 and 5.2.4.1 to the consolidated financial statements. Sensitivity tests performed on the Poland CGU produced a recoverable amount in excess of the net carrying amount. However, the value of the CGU remains sensitive to management assumptions as disclosed in Note 7.1.2. to the consolidated financial statements. The recoverable amounts of the Chinese concessions are sensitive to changes and are founded on structuring operating assumptions as disclosed in Note 5.2.4.1 to the consolidated financial statements.

We therefore considered the impairment testing of the goodwill of these CGUs to be a key audit matter.

Our response

We assessed the compliance of the methodology adopted by the Group with prevailing accounting standards.

We also performed a critical assessment of the implementation of this methodology for these CGUs and notably tested:

- the amount of items comprising the carrying amount of the CGUs tested and the consistency of the method of calculating this value with the method of calculating forecast cash flows for the value in use;
- the reasonableness of forecast cash flows given the economic and financial context in which the CGU operates and the reliability of the process for determining estimates by analyzing, for prior year forecasts, the causes of any forecast/actual variances;
- the consistency of these forecast cash flows with the most recent Group estimates as presented to the Board of Directors as part of the budget process;
- the reasonableness of discount rates and long-term growth rates adopted;
- the analysis of the sensitivity of the values in use calculated by the Group to a change in the main assumptions adopted.

Finally, we verified the appropriateness of disclosures in Notes 7.1.2 and 5.2.4.1 to the consolidated financial statements.

Valuation of intangible assets, property, plant and equipment and operating financial assets of low-margin contracts

Notes 5.2.1, 5.4, 7.2 and 7.3 to the consolidated financial statements

Risk identified

As at December 31, 2017, the total net carrying amount of the Group's intangible assets, property, plant and equipment and operating financial assets amounts to €13,401 million and represents 35% of total assets. These assets primarily consist of intangible assets and operating financial assets under concession arrangements (IFRIC 12) and the production and distribution assets necessary for the performance of contacts in the Group's three businesses. These assets are tested for impairment by the Group where there is indication that they may have suffered a loss in value (non-performance of a major long-term contract under the conditions provided, operating technical difficulties, default by a counterparty for operating financial assets, etc.). Value in use is equal to the present vale of future cash flows expected to be derived from these assets or groups of assets as disclosed in Notes 5.2.1, 5.4, 7.2.1 and 7.3 to the consolidated financial statements.

Determining value in use requires the Group to make significant judgments; we have considered the valuation of intangible assets, property, plant and equipment and operating financial assets of low-margin contracts to be a key audit matter.

Our response

We assessed the compliance of the methodology adopted by the Company with prevailing accounting standards. We also performed a critical assessment of the implementation of this methodology and notably tested the relevant contracts with regard to:

- the reasonableness of forecast cash flows given the economic and financial context in which the contracts are performed (commercial development assumptions, price changes, efficiency gains, etc.), in particular by analyzing the main data and assumptions underlying the estimates and assessing any variances between forecast and actual cash flows for prior periods;
- the reasonableness of discount rates adopted.

US tax audit of the Worthless Stock Deduction

Note 11.3 to the consolidated financial statements

Risk identified

During the reorganization in 2006 of the former US Filter, Veolia Environnement, through its subsidiary, VENAO, sought a tax deduction pursuant to the "Worthless Stock deduction" provisions under US tax law. Related tax losses totaled US$4.5 billion (tax base) as at December 31, 2006. This led to a tax audit by the US Inland Revenue Services (IRS) which is still ongoing. On October 24, 2017, the Group received a Notice of Proposed Adjustment (NOPA) rejecting all those losses and challenging, in particular, the insolvency of the US subsidiary at the end of 2006 The Group replied to this NOPA on January 22, 2018, refuting the merits of the IRS's arguments. As at December 31, 2017, the Group's maximum exposure in the event the revised assessment is confirmed, amount to US$795 million (excluding interest and penalties).

We considered the US tax audit of the Worthless Stock Deduction to be a key audit matter due to the materiality of the amounts in question with regard to the consolidated financial statements and the uncertain nature of the outcome.

Our response

Our work primarily consisted in:

- obtaining an understanding of the procedures implemented by the Group to monitor progress with the tax audit;
- obtaining an understanding of the risk analysis performed by the Group, of the corresponding documentation and the written consultations from external advisors;
- receiving and obtaining an understanding of the responses to circularization letters sent to external advisors;
- assessing, with the assistance of French and U.S tax experts, the main risks identified and analyzing the assumptions adopted by the Group to estimate the amount of losses recognized in the consolidated financial statements;
- analyzing, with the assistance of our tax experts, the method of determining US taxable income with regard to this tax audit;
- studying the consistency of forecast cash flows included in the tax schedule underlying the calculation of the recoverable value of deferred tax assets of its subsidiary VENAO (head of the US tax group), with the Group's most recent estimates as presented to the Board of Directors as part of the budget process;
- assessing the information regarding this tax audit disclosed in Note 11.3 to the consolidated financial statements.

Provisions for litigation and contingent liabilities relating to litigation: in the United States – Flint, in Romania, Lithuania and Transdev - regional assistance

Notes 10 and 12 to the consolidated financial statements

Risk identified

The Group is regularly involved in major litigation with its clients and third parties during the course of its activities. These include certain litigations which, due to their amount or the parties involved, represent a greater exposure for the Group.

As disclosed in Note 10, the Group records a provision when, at year end, the Group has a current legal or implicit obligation to a third party as a result of a past event when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when the amount of the obligation can be reliably estimated. In the case of these litigations, the Group's estimates determine any provisions were made in an uncertain context as to their outcome.

We considered this issue to be a key audit matter due to the amounts involved and the uncertain outcome of these litigations.

Our response

In the course of our audit of the consolidated financial statements, our work primarily consisted in:

- assessing the procedures implemented by the Group to identify and inventory all risks;
- obtaining an understanding of the risk analysis performed by the Group, of the corresponding documentation and the written consultations from external advisors;
- receiving and obtaining an understanding of the responses to circularization letters sent to external advisors;
- assessing the main risks identified and the assumptions adopted by the Group to estimate the provision amounts;
- assessing the information regarding these risks disclosed in Note 12 to the consolidated financial statements.

Specific Verification Concerning the Group Presented in the management report

As required by French law, we have also verified in accordance with professional standards applicable in France the information concerning the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Veolia Environnement by your General Shareholders' Meeting of December 18, 1995 for KPMG SA and of December 23, 1999 for ERNST & YOUNG et Autres.

As at December 31, 2017, KPMG SA was in the twenty-third year of total uninterrupted engagement and ERNST & YOUNG et Autres in the nineteenth year, including eighteen years since securities of the Company were admitted to trading on a regulated market.

Responsibilities of Management and those charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Accounts and Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified by Article L. 823-10-1 of the French Commercial Code (Code de Commerce), the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

As part of an audit in accordance with professional standards applicable in France the statutory auditors exercice, we exercise professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, he draws attention in his audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, he modifies his opinion;
- evaluates the overall presentation of the consolidated financial statements assessed and whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Accounts and Audit Committee

We submit a report to the Accounts and Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also bring to its attention any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Accounts and Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters. We describe these matters in the audit report.

We also provide the Accounts and Audit Committee with the declaration referred to in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France as defined in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code *(Code de Commerce)* and in the French Code of Ethics *(Code de déontologie)* for Statutory Auditors. Where appropriate, we discuss with the Accounts and Audit Committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

The Statutory Auditors
Paris-La Défense, March 13, 2018
French original signed by

KPMG Audit A Division of KPMG S.A.		**ERNST & YOUNG et Autres**	
Jean-Paul Vellutini	Karine Dupré	Gilles Puissochet	Xavier Senent

4.2 Company Financial Statements AFR

4.2.1 BALANCE SHEET AS OF DECEMBER 31, 2017

Assets

(in € thousand)	As of December 31, 2017 Gross	Deprec. amort. & impairment	Net	As of December 31, 2016 Net
Share capital subscribed but not called				
Non-current assets				
Intangible assets				
Preliminary expenses	-	-	-	-
Research & development expenditure	-	-	-	-
Concessions, patents, licenses, trademarks, processes, and software, rights and similar	211,365	179,144	32,221	45,091
Purchased goodwill(1)	-	-	-	-
Other intangible assets	-	-	-	-
Intangible assets under construction	11,068	0	11,068	6,240
Property, plant and equipment				
Land	-	-	-	-
Buildings	-	-	-	-
Industrial and technical plant	-	-	-	-
Other property, plant and equipment	45,468	23,827	21,641	20,876
Property, plant and equipment in progress	2,283	0	2,283	5,530
Payments on account – PP&E	-	-	-	-
Long-term loans and investments(2)				
Equity investments	14,243,263	3,330,089	10,913,174	10,898,733
Loans to equity investments	9,909,029	106,350	9,802,679	10,982,567
Long-term portfolio investments (TIAP)	5,940	0	5,940	5,000
Other long-term investment securities	1,446	0	1,446	677
Loans	747,743	0	747,743	433,808
Other long-term loans and investments	764,317	122,025	642,292	597,712
TOTAL (I)	25,941,922	3,761,435	22,180,487	22,996,234

(in € thousand)	As of December 31, 2017 Gross	Deprec. amort. & impairment	Net	As of December 31, 2016 Net
Current assets				
Inventories and work-in-progress				
Raw materials & supplies	-	-	-	-
Work in process – goods and services	-	-	-	-
Semi-finished and finished goods	-	-	-	-
Bought-in goods	-	-	-	-
Payments on account – inventories	**872**	**0**	**872**	**711**
Receivables[3]				
Operating receivables:				
Trade receivables and related accounts	86,353	7,644	78,709	114,194
Other receivables	2,128,726	32,018	2,096,708	1,586,206
Miscellaneous receivables:				
Share capital subscribed and called but not paid in	-	-	-	-
Marketable securities				
Treasury shares	121,891	24,428	97,463	101,954
Other securities	4,315,633	0	4,315,633	3,812,608
Treasury instruments	108,169	0	108,169	225,425
Cash at bank and in hand	**320,310**	**0**	**320,310**	**427,017**
Prepayments[4]	**45,268**	**0**	**45,268**	**42,004**
TOTAL (II)	7,127,222	64,090	7,063,132	6,310,119
Accrued income and deferred charges				
Deferred charges (III)	72,610	0	72,610	80,026
Bond redemption premiums (IV)	147,475	0	147,475	166,325
Unrealized foreign exchange losses (V)	1,470,482	0	1,470,482	462,076
GRAND TOTAL (I+II+III+IV+V)	34,759,711	3,825,525	30,934,186	30,014,780
(1) Of which leasehold rights			-	-
(2) Portion due in less than one year			*308,607*	*197,163*
(3) Portion due in more than one year			*212,875*	*160,321*
(4) Portion due in more than one year			*29,654*	*31,172*

Liabilities

(in € thousand)	As of December 31, 2017	As of December 31, 2016
Shareholders' equity		
Share capital (of which paid in: 2,816,824)	2,816,824	2,816,824
Additional paid-in capital	6,973,859	6,973,859
Revaluation reserves	-	-
Equity-accounting revaluation reserve	-	-
Reserves		
Reserve required by law	281,682	281,682
Reserves required under the Articles of Association or contractually	-	-
Special long-term capital gains reserve	-	-
Other reserves	-	-
Retained earnings	302,736	-
Net income for the period	314,498	513,840
Sub-total: shareholders' equity	10,689,599	10,586,205
Investment subsidies	-	-
Tax-driven provisions	5,326	3,908
TOTAL (I)	10,694,925	10,590,113
Equity equivalents		
Proceeds from issues of equity equivalent securities	-	-
Subordinated loans	-	-
Other	-	-
TOTAL (I *BIS*)		
Provisions		
Provisions for contingencies	59,414	435,340
Provisions for losses	38,103	18,334
TOTAL (II)	97,517	453,674

(in € thousand)	As of December 31, 2017	As of December 31, 2016
Liabilities[(1)]		
Convertible bonds	-	-
Other bond issues	9,534,244	9,115,385
Bank borrowings[(2)]	51,460	101,007
Other borrowings[(3)]	8,795,591	8,891,407
Payments received on account for work-in-progress	-	-
Operating payables		
Trade payables and related accounts	127,264	142,222
Tax and employee-related liabilities	63,298	79,855
Other operating payables	-	-
Miscellaneous liabilities		
Amounts payable in respect of PP&E and related accounts	8,524	13,559
Tax liabilities (income tax)	-	-
Other miscellaneous liabilities	42,263	49,753
Treasury instruments	94,519	254,386
Deferred income and accrued charges		
Deferred income[(1)]	135,650	180,463
TOTAL (III)	18,852,813	18,828,037
UNREALIZED FOREIGN EXCHANGE GAINS (IV)	1,288,931	142,956
GRAND TOTAL (I+II+III+IV)	30,934,186	30,014,780
(1) Portion due in more than one year	*9,043,414*	*9,297,896*
Portion due in less than one year	*9,809,399*	*9,530,141*
(2) Of which bank accounts in overdraft and short-term bank facilities	*51,460*	*101,007*
(3) Of which equity equivalent loans	-	-

4.2.2 INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

(in € thousand)	2017	2016
Operating revenue[1]		
Sales of bought-in goods	-	-
Sales of own goods and services	485,306	427,626
Net sales	485,306	427,626
Of which export sales		
Changes in inventory of own production of goods and services	-	-
Own production capitalized	11,692	5,233
Operating subsidies	102	89
Write-back of provisions (and depreciation and amortization) and expense reclassifications	32,995	84,901
Other revenue	87,820	81,943
TOTAL (I)	617,915	599,792
Operating expenses[2]		
Purchases of bought-in goods	-	-
Change in inventories of bought-in goods	-	-
Purchases of raw materials and other supplies	-	-
Change in inventories of raw materials and other supplies	-	-
Other purchases and external charges*	302,595	302,437
Duties and taxes other than income tax	17,619	16,711
Wages and salaries	132,793	132,621
Social security contributions	58,385	63,283
Depreciation, amortization and charges to provisions:		
On non-current assets: amortization and depreciation	40,519	26,078
On non-current assets: charges to impairment	70	200
On current assets: charges to provisions	1,836	5,154
For contingencies and losses: charges to provisions	38,171	4,079
Other expenses	121,823	108,716
TOTAL (II)	713,811	659,279
1. OPERATING LOSS (I – II)	(95,896)	(59,487)
Joint venture operations	**120**	**193**
Profits transferred in or losses transferred out (III)	120	193
Profits transferred out or losses transferred in (IV)	-	-
* *Of which:*		
Equipment finance lease installments	-	-
Real estate finance lease installments	-	-
(1) Of which income relating to prior periods	-	-
(2) Of which expenses relating to prior periods	-	-

(in € thousand)	2017	2016
Financial income[3]		
Financial income from equity investments	652,107	620,649
Financial income from other securities and long-term receivables	6,786	8,929
Other interest and similar income	170,620	188,450
Write-back of provisions for financial items, impairment and expense reclassifications	76,168	580,765
Foreign exchange gains	1,144,838	1,711,742
Net gain on sales of marketable securities	198	1,453
TOTAL (V)	2,050,717	3,111,988
Financial expenses		
Amortization, impairment and charges to provisions for financial items	62,243	516,564
Interest and similar expenses[4]	539,272	587,192
Foreign exchange losses	1,144,224	1,388,849
Net loss on sales of marketable securities	2,190	5
TOTAL (VI)	1,747,929	2,492,610
2. NET FINANCIAL INCOME (V–VI)	302,788	619,378
3. NET INCOME FROM ORDINARY ACTIVITIES BEFORE TAX (I-II+III-IV+V-VI)	207,012	560,084
Exceptional income		
Exceptional income from non-capital transactions	2,488	10,795
Exceptional income from capital transactions	1,548	227,623
Exceptional write-back of provisions for financial items, impairment and expense reclassifications	9,827	13,947
TOTAL (VII)	13,863	252,365
Exceptional expenses		
Exceptional expenses on non-capital transactions	(5,594)	4,716
Exceptional expenses on capital transactions	1,429	394,045
Exceptional amortization, impairment and charges to provisions for financial items	5,108	3,218
TOTAL (VIII)	943	401,979
4. NET EXCEPTIONAL ITEMS (VII–VIII)	12,920	(149,614)
STATUTORY EMPLOYEE PROFIT-SHARING (IX)	-	-
INCOME TAX EXPENSE (X)	94,566	103,370
TOTAL INCOME (I+III+V+VII)	2,682,615	3,964,338
TOTAL EXPENSES (II+IV+VI+VIII+IX-X)	2,368,117	3,450,498
NET INCOME	314,498	513,840
(3) Of which income from related parties	*872,103*	*1,051,621*
(4) Of which interest charged by related parties	*12,589*	*13,558*

4.2.3 PROPOSED APPROPRIATION OF 2017 NET INCOME

(in €)	2017
2017 Net income	**314,497,647**
Distributable reserves	6,973,859,238
Prior year retained earnings[(1)]	302,735,905
i.e. a total of	**7,591,092,790**
To be appropriated as follows[(2)]:	
to the reserve required by law	-
to dividends (€0.84 x 549,659,988)[(3)]	461,714,390
to retained earnings	155,519,162
Shareholders' equity accounts after appropriation and distribution of the dividend	
Share capital	2,816,824,115
Additional paid-in capital	6,973,859,238
Reserve required by law	281,682,412
2017 retained earnings	**155,519,162**
TOTAL[(4)]	10,227,884,927

(1) Retained earnings as of December 31, 2017 were increased by €228.6 million following the retrospective application of ANC Regulation no. 2015-05 on forward financial instruments and hedging transactions. The accounting treatment previously applied to certain of these transactions was adjusted and represents a change in accounting method. The overall impact of the change in accounting method was recognized in equity pursuant to Article 122-2 of ANC Regulation no. 2014-03.

(2) Subject to the approval of the Shareholders' Meeting.

(3) The total dividend distribution presented in the above table is calculated based on 563,364,823 shares outstanding as of December 31, 2017, less the 13,704,835 treasury shares held as of this date and may change depending on movements in the number of shares conferring entitlement to dividends up to the ex-dividend date. Consequently, amounts deducted from "2017 retained earnings" and/or "distributable reserves" may change depending on the definitive dividend amount paid.

(4) After appropriation of the net income and distribution of the proposed dividend for 2017, the shareholders' equity of the Company shall be €10,227,884,927.

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4.2.4 STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(in € thousand)	2017	2016
Source of funds		
Operating cash before changes in working capital[(1)]	350,664	557,467
Disposals or decreases in non-current assets:		
Disposals of intangible assets and PP&E	0	606
Disposals of equity investments	101	226,146
Disposals of long-term investment securities	-	-
Repayment of financial receivables (long-term advances)	1,566,525	2,096,359
Repayment of other long-term loans and investments	16,144	37,018
Increase in shareholders' equity	-	-
New borrowings[(2)]	1,800,000	2,000,576
TOTAL SOURCE OF FUNDS	3,733,434	4,918,172
Application of funds		
Dividend distribution (including registration fees)	439,728	401,248
Acquisitions or increases in non-current assets:		
Intangible assets and PP&E	17,352	82,560
Long-term loans and investments:		
Equity investments	30,983	18,634
Long-term financial receivables	641,807	2,778,634
Long-term portfolio investments (TIAP)[(3)]	1,816	2,500
Other long-term loans and investments	330,552	0
Decrease in shareholders' equity	-	-
Principal payments on borrowings[(4)]	1,318,701	382,380
TOTAL APPLICATION OF FUNDS	2,780,939	3,665,956
Increase/decrease in working capital requirements	952,495	1,252,216
TOTAL	3,733,434	4,918,172

(1) Decrease of €323.9 million in foreign exchange gains, increase of €31.4 million in investment income, increase of €57.6 million in revenue and decrease of €23 million in the income tax expense.
(2) Two bond issues of €1.3 billion and €0.5 billion, respectively.
(3) Paid-up portion of the subscription to the Raise Investissement SAS share capital increase for €1.25 million.
(4) Mainly redemptions of bond issues of €1,271.3 million.

4.2.5 NOTES TO THE COMPANY FINANCIAL STATEMENTS

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NOTE 1 MAJOR EVENTS OF THE PERIOD

1.1 Change in accounting rules and methods

The retrospective application of ANC Regulation no. 2015-05 on financial instruments and hedging transactions represents a change in accounting method, recorded in shareholders' equity in accordance with the provisions of Article 122-2 of ANC Regulation no. 2014-03.

This change in accounting method impacted balance sheet headings as of January 1, 2017 as follows:

Balance sheet headings impacted by the change in accounting method *(in € thousand)*	As of December 31, 2016	Change	As of January 1, 2017	
Unrealized foreign exchange losses – overall positions	**258,644**	**(249,692)**	**8,952**	Note 3
Unrealized foreign exchange losses – matching positions	203,432	289,404	492,836	
Change in the value of treasury instruments – Assets (new heading)		776,996	776,996	Note 1
Sub-total matching positions	**203,432**	**1,066,400**	**1,269,832**	Note 2
TOTAL IMPACT ON ASSETS		816,708		
Retained earnings, credit balance		228,624	228,624	Note 1
Provision for foreign exchange losses	379,594	(365,768)	13,826	Note 1
Unrealized foreign exchange gains – overall positions	**91,854**	**(56,178)**	**38,676**	Note 3
Unrealized foreign exchange gains – matching positions	51,102	131,632	182,734	
Change in the value of treasury instruments – Liabilities (new heading)		875,397	875,397	Note 1
Sub-total matching positions	**51,102**	**1,007,029**	**1,058,131**	Note 2
TOTAL IMPACT ON LIABILITIES		816,708		

The impact on retained earnings is due to the new obligation to recognize foreign exchange hedging transactions so as to offset the impact of hedging instruments and hedged items in profit or loss. It is also the result of the new method of estimating the provision for foreign exchange losses due to foreign exchange hedges classified as management.

Note 1: the €228.6 million impact on retained earnings breaks down as follows:

- realized foreign exchange gains of €777 million and realized foreign exchange losses of €875.4 million on foreign exchange hedging instruments, representing a net loss of €98.4 million recognized in retained earnings in respect of current hedging transactions as of January 1, 2017;
- the impact of the application of the new recognition methods on matching foreign exchange positions existing as of January 1, 2017 of -€38.8 million;
- a €365.8 million decrease in the provision for foreign exchange losses, with a positive impact on retained earnings. The revised provision as of January 1, 2017 is €13.8 million.

Note 2: unrealized foreign exchange gains and losses on duly documented matching foreign exchange positions were reclassified in dedicated unrealized foreign exchange gains and losses "matching positions" accounts. After reclassification, amounts as of January 1, 2017 are €1,269.8 million in unrealized losses and €1,058.1 million in unrealized gains, representing net unrealized losses of €211.7 million.

Note 3: after reclassification, unrealized foreign exchange gains and losses on the overall foreign exchange position as of January 1, 2017 comprise unrealized losses of €8.9 million and unrealized gains of €38.6 million, representing net unrealized gains of €29.7 million

1.2 Events relating to bond issues

1.2.1 Bond issues

On March 20, 2017, Veolia Environnement issued two bonds for €1.3 billion. This issuance includes a €650 million bond maturing in March 2022 (five-year maturity) bearing a coupon of 0.672% and a €650 million bond maturing in November 2026 (about ten-year maturity) bearing a coupon of 1.496%. Both bonds were issued at par.

On November 16, 2017, Veolia Environnement issued a €500 million three-year zero coupon bond maturing in November 2020, with a negative yield of -0.026%.

1.2.2 Repayments of bond lines

Repayments mainly consist of the following scheduled payments at maturity:

- repayment on January 16, 2017 of a euro-denominated bond line with a nominal value of €606.4 million;
- repayment on May 19, 2017 of a euro-denominated bond line with a nominal value of €350 million;
- repayment on June 28, 2017 of a Chinese renminbi-denominated bond line with a nominal value of €64.8 million;
- repayment on June 29, 2017 of a euro-denominated bond line with a nominal value of €250 million.

1.3 Treasury shares

In 2017, due to the increase in its share price, Veolia Environnement wrote-back the treasury share impairment in the amount of €64.8 million, based on an average share price in December 2017 of €21.19, compared with €15.76 in December 2016.

The gross value of the 13,704,835 treasury shares held as of December 31, 2017 was €421.7 million, impaired in the amount of €146.5 million, and representing a net carrying amount of €275.2 million.

NOTE 2 ACCOUNTING PRINCIPLES AND METHODS

2.1 Basis of preparation

The Company financial statements for the year ended December 31, 2017 are prepared and presented in accordance with general accounting principles applicable in France, as set-out in Regulation no. 2014-03 issued by the French Accounting Standards Authority (Autorité des Normes Comptables, ANC).

Amounts recorded in the accounts are valued on a historical cost basis in accordance with the true and fair principle.

The accounting period ends on December 31, 2017 and has a duration of 12 months.

Veolia Environnement, whose registered office is located at 21, rue La Boétie, 75008 Paris, prepared Veolia Group consolidated financial statement under the number: 403 210 032 R.C.S. Paris.

A copy of the financial statements may be obtained at the Company's administrative headquarters at 30, rue Madeleine Vionnet, 93300 Aubervilliers.

2.2 Main accounting policies

2.2.1 Non-current assets

Non-current assets: on initial recognition in the accounts, non-current assets are recorded at acquisition cost if acquired for valuable consideration, at market value if acquired for nil consideration or at production cost if produced by the Company.

Intangible assets: in the course of major IT projects, the Company incurs project costs which it capitalizes when they satisfy certain criteria. These costs are not amortized prior to asset commissioning.

Technical merger losses are recognized according to the nature of the underlying asset to facilitate monitoring over time, in accordance with the new rules defined by ANC Regulation no. 2015-06. Technical merger losses are amortized on the same basis as the underlying asset to which the unrealized capital loss relates. The share of the loss allocated to non-depreciable assets is not amortized but is impaired, where appropriate, in accordance with Article 745-8 of the French General Chart of Accounts (Plan Comptable Général, PCG).

Property, plant and equipment: depreciation is calculated over the expected period of use. More specifically, fixtures and fittings and installations are depreciated on a straight-line basis over periods of six to ten years. Furniture and office equipment are depreciated on a straight-line basis over periods of between five and ten years. Finally, vehicles are depreciated on a straight-line basis over five years.

Equity investments: this heading records the acquisition cost of securities held by Veolia Environnement in companies over which it exercises control or significant influence, directly or indirectly.

At the date of entry into Company assets, the gross value of "Equity investments" is their acquisition cost. The Company has elected to capitalize costs relating to the acquisition of equity investments. At the closing date, the value in use of equity investments is determined by the Company based on criteria encompassing profitability, growth perspectives, the net assets of the company held and the stock market value of the securities acquired, where applicable. Where the net carrying amount of an equity investment exceeds its value in use, an impairment is recorded in the amount of the difference.

Pursuant to the change in tax regime applicable to equity investment acquisition costs introduced by Article 21 of the 2007 Finance Act and completed by Article 209 of the French General Tax Code and based on Opinion no. 2007-C of June 15, 2007 issued by the Urgent Issues Taskforce of the French National Accounting Institute (Conseil National de la Comptabilité), Veolia Environnement has recognized the tax deferral of security acquisition costs over a period of five years in the accelerated depreciation account since January 1, 2007.

Other long-term loans and investments: treasury shares are recorded in long-term investment securities when earmarked for external growth operations. They are recognized at acquisition cost and an impairment is recorded if their market value is less than their net carrying amount.

Term accounts not classified as cash equivalents are recorded in “Other long-term loans and investments”.

Merger losses relating to financial assets are recognized in “Other long-term loans and investments” and are considered to have an unlimited duration.

Pursuant to Articles 214-15, 214-17 and 745-8 of ANC Regulation no. 2015-06, Veolia Environnement performs an impairment test at each period end to assess the net carrying amount of the asset compared with its current value. Where the current value of the asset is less than its net carrying amount, an impairment is recognized in the amount of the difference and offset in priority against the share of the merger loss.

Where the current value of the asset cannot be determined separately, the current value of the Group of assets is determined.

2.2.2 Marketable securities and cash at bank and in hand

Marketable securities: marketable securities comprise treasury shares held in respect of Group savings plans, share option plans and other highly liquid investment securities. Treasury shares are classified as marketable securities when purchased for presentation to employees under share option plans and employee savings plans benefiting certain employees. Shares acquired and sold under the liquidity contract generate movements in the marketable securities account. Marketable securities are recognized at acquisition cost and an impairment provision is recorded if their market value is less than their net carrying amount.

Cash at bank and in hand: term accounts classified as cash equivalents are recorded in Cash at bank and in hand.

2.2.3 Foreign currency-denominated transactions

During the year, foreign currency-denominated transactions are translated into euro at the daily exchange rate.

Liabilities, receivables and cash balances denominated in currencies other than the euro are recorded in the balance sheet at their euro equivalent determined using year-end exchange rates. Gains and losses resulting from the translation of foreign currency liabilities and receivables at year-end exchange rates are recorded in “Unrealized foreign exchange gains and losses”. In accordance with Article 420-7 of the French General Chart of Accounts, unrealized foreign exchange gains and losses on foreign currency cash accounts are recognized directly in foreign exchange gains and losses. Similarly, foreign exchange gains and losses on subsidiary current accounts equivalent in nature to cash accounts are recognized directly in foreign exchange gains and losses, except where hedge accounting principles are applied.

Pursuant to ANC Regulation no. 2015-05, Veolia Environnement applies hedge accounting to clearly identified and documented matching foreign exchange positions, which seek to reduce the risk associated with currency fluctuations. Accordingly, all foreign exchange gains and losses calculated on liabilities and receivables and related hedging transactions included in these matching positions are recorded in dedicated unrealized foreign exchange gains and losses - matching positions accounts.

The corresponding increase or decrease in the value of treasury instruments is recorded in the Treasury instruments - Assets or Treasury instruments - Liabilities accounts.

Furthermore, in order to comply with the matching settlement principle, foreign exchange gains and losses realized on instruments hedging underlying items not yet matured are recorded in new balance sheet accounts in the French General Chart of Accounts: Change in the value of treasury instruments - Assets and Change in the value of treasury instruments - Liabilities. On maturity of the underlying items, the foreign exchange gains and losses realized on the corresponding hedging instruments are released to profit or loss.

Pursuant to Article 628-11 of ANC Regulation no. 2014-03, when the underlying is unwound, the gains/loss on the hedging instrument is presented in the same section of the income statement (operating, financial) as the hedged item.

Hedge accounting is also applied to equity investments acquired in foreign currency and hedged by borrowings or foreign exchange derivatives in accordance with Article 628-8 of ANC Regulation no. 2014-03.

Other liabilities, receivables and currency derivatives not forming part of matching hedge relationships are included in the overall foreign exchange position per currency, as provided in Article 420-6 of the French General Chart of Accounts. For those transactions with sufficiently close terms and conditions, the provision amount is determined by limiting the excess of unrealized losses over unrealized gains. This provision is calculated individually for each currency on realizable items maturing in the same fiscal year.

In the case of isolated open positions, a provision for foreign exchange losses is only recorded in respect of unrealized losses at the accounts closing.

Finally, pursuant to Articles 946-65 and 947-75 of ANC Regulation no. 2015-05, foreign exchange gains and losses on commercial receivables and payables and related hedging gains and losses are recorded in the accounts: Foreign exchange gains or Foreign exchange losses on commercial receivables and payables.

Foreign exchange gains and losses on financial transactions and related hedging gains and losses continue to be recorded in the accounts, Foreign exchange gains or Foreign exchange losses on financial items.

2.2.4 Recognition of financial transactions

Financial transactions (loans, borrowings, derivatives, etc.) are recognized at the value date, with the exception of cash pooling transactions with subsidiaries which are recognized at the trade date.

Inflation-linked bond issues: the issue premium is fixed on issue and amortized on a time-apportioned basis over the bond term. The redemption premium, equal to the difference between the redemption value and the nominal value, is revalued based on the inflation ratio observed at each balance sheet date.

Deeply subordinated perpetual securities (TSSDI): these securities are classified in borrowings. The paid-in capital is recognized in balance sheet assets and the interest paid annually is recorded under finance cost in the income statement. The issue costs are amortized on a straight-line basis over a 5-year term.

Derivatives: Veolia Environnement hedges asset risks (acquisition of securities in foreign currencies), balance sheet risks (financing of subsidiaries in their local currency) and transaction risks (hedging of commercial flows on its own account and for all its operating subsidiaries). The Company has therefore adopted a strategy that consists in backing foreign currency-denominated borrowings with either assets denominated in the same currency or using foreign exchange derivatives (forex swaps, currency forward contracts, hedging options, cross currency swaps).

All transaction flows are hedged, primarily by currency forward contracts and forex swaps. Finally, market risks relating to interest rate fluctuations are hedged by interest rate swaps or interest rate caps and floors.

The notional amounts of instruments are recorded in specific off-balance sheet accounts.

Interest rate derivatives: pursuant to ANC Regulation no. 2015-05, income and expenses relating to the use of these instruments are recognized in the income statement to match income and expenses on the hedged transactions.

These transactions are recognized as follows:

- transactions qualifying as hedges:
  - a provision for unrealized losses is not recognized as changes in the value of the underlying item reduce the related risk;
- open isolated positions:
  - unrealized losses, calculated individually for each instrument, are provided in full,
  - unrealized gains on instruments are recognized in income on the unwinding of the transaction only.

Currency derivatives: for hedging transactions, currency financial instruments are valued by comparison with the closing exchange rate defined by the European Central Bank. The difference between the spot rate of the instrument and the closing rate is recorded in the dedicated unrealized foreign exchange gains and losses - matching position accounts and the difference between the forward rate and the spot rate of the instrument is recorded in a specific financial instruments account entitled “premium/discount”. This distinguishes the interest rate impact from the currency impact. The premium/discount is spread on a straight-line over the hedge period and is classified in net financial expense.

Realized gains and losses on currency transactions are recorded to match the gains and losses on the hedged transactions. If the underlying item has not matured, realized gains and losses on hedging instruments are recorded in newly created accounts in the French Chart of Accounts - Change in the value of treasury instruments - Assets and Change in the value of treasury instruments - Liabilities.

Where transactions do not qualify as hedges, the foreign exchange derivatives are included in the overall foreign exchange position.

2.2.5 Valuation of provisions

Provisions for contingencies and losses

These provisions are valued at the best estimate of the outflow of resources necessary to settle the obligation. When valuing a single obligation in the presence of several valuation assumptions concerning the outflow of resources necessary, the best estimate is the most probable assumption.

Provisions for incentive schemes

The unit amount of incentive payments is based on the following performance criteria:

- the increase in Group revenue at constant exchange rates;
- the increase in Group EBITDA at constant exchange rates;
- the increase in purchase expenditure, excluding taxes, recorded for the sheltered employment sector for the France scope.

Based on the observed growth rate and other criteria, the level of incentive payments is determined using a contractually defined chart. The total amount of incentive payments provided is equal to the individual amount determined above multiplied by the number of beneficiaries communicated by the Human Resources Department.

Provision for bonuses

This provision is determined based on the amount of bonuses awarded in the previous year multiplied by an estimated percentage change and changes in employee numbers.

2.2.6 Income from ordinary activities and exceptional income

Items concerning the ordinary activities of the Company, even if exceptional in amount or frequency, are included in income from ordinary activities. Only those items that do not concern the ordinary activities of the Company are recognized in exceptional items.

2.2.7 Valuation of employee-related commitments

Pursuant to Article L. 123-13 of the French Commercial Code, Veolia Environnement has elected not to recognize a provision for retirement benefits and other employee commitments. This information is presented in off-balance sheet commitments in the notes to the financial statements.

NOTE 3 BALANCE SHEET ASSETS

3.1 Non-current assets

Movements in gross values

(in € thousand)	Opening balance	Increase	Decrease	Closing balance	Note
Intangible assets	**209,105**	**14,522**	**1,194**	**222,433**	3.1.1
Property, plant and equipment	**45,052**	**2,841**	**142**	**47,751**	3.1.1
Long-term loans and investments					
Equity investments	14,212,864	30,984	585	14,243,263	3.1.2
Loans to equity investments	11,091,762	400,826	1,583,559	9,909,029	3.1.3
Long-term portfolio investments (TIAP)[a]	5,000	940	-	5,940	
Other long-term investment securities	677	955	186	1,446	
Loans	433,808	528,827	214,892	747,743	3.1.4
Other long-term loans and investments	765,313	15,782	16,778	764,317	3.1.5
TOTAL	26,763,581	995,677	1,817,336	25,941,922	

(a) 1.43% subscription to the Raise Investissement SAS share capital increase (see Note 7.9 below).

Movements in depreciation, amortization and impairment

(in € thousand)	Opening balance	Increase Charge	Decrease, removals and write-backs	Closing balance	Note
Amortization of intangible assets	157,574	22,764	1,194	179,144	3.1.1
Depreciation of property, plant and equipment	18,646	5,250	139	23,757	3.1.1
Impairment of property, plant and equipment	-	70	-	70	3.1.1
Impairment of intangible assets	200	-	200	-	3.1.1
Impairment of equity investments	3,314,131	18,654	2,696	3,330,089	3.1.6
Impairment of loans to equity investments	109,195	-	2,845	106,350	
Impairment of treasury shares	167,601	-	45,576	122,025	3.1.6
TOTAL	3,767,347	46,738	52,650	3,761,435	
Nature of charges and write-backs:					
Operating		28,078	1,533		
Financial		18,654	51,117		
Exceptional		6	-		
TOTAL		46,738	52,650		

3.1.1 Intangible assets and PP&E

Intangible assets have a gross value of €222.4 million and a net value of €43.3 million.

Property, plant and equipment have a gross value of €47.8 million and a net value of €23.9 million.

3.1.2 Long-term loans and investments: Equity investments

Equity investments have a gross value of €14,243 million as of December 31, 2017. Impairments total €3,330 million, reducing the net value to €10,913 million.

3.1.3 Long-term loans and investments: Loans to equity investments

Loans to equity investments have a gross value of €9,909 million as of December 31, 2017.

Movements recorded in 2017 break down as follows:

(in € thousand)	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
VE Finance	7,924,067	646,077	-	(183,959)	8,386,185
VE UK (formerly GU Holding Ltd)	881,315	-	20,845	(30,163)	830,307
Veolia Propreté SAS	790,070	-	777,883	(12,187)	0
Veolia Énergie International	395,888	-	349,567	374	46,695
Veolia Eau-Compagnie Générale des Eaux	340,576	-	3,407	(17,236)	319,933
Veolia Water Technologies	214,112	-	36,744	3,172	180,540
VES Australia PTY	137,753	-	131,737	(6,016)	0
Artelia Ambiente	106,733	-	369	-	106,364
SARP Industries	89,275	-	89,362	87	0
Veolia Water Japan K.K	46,398	-	51,241	4,882	39
Veolia Water Middle East North Africa	40,282	-	40,282	-	0
SARP SA	27,096	-	27,096	-	0
Campus VE Centre Est	21,066	-	21,066	-	0
Veolia Environnement Serv. China Ltd	11,347	-	10,281	(1,066)	0
Veolia Water Resource Development Co Ltd	10,804	-	101	202	10,905
Ecospace Ltd	10,572	-	8,449	(2,123)	0
COVES (HK) Limited	8,344	-	7,742	(602)	0
Veolia Environnement Recherche et Innovation	8,035	-	26	-	8,009
Association Vecteur Pyrénées	5,842	-	407	-	5,435
Campus Veolia Sud-Ouest	4,926	-	4,926	-	0
Veolia Water Middle East	4,110	-	13	(501)	3,596
Veolia Déconstruction France	3,655	-	13	-	3,642
Société des Eaux Régionalisée	3,630	-	1,140	-	2,490
VE Ingénierie Conseils	2,855	-	305	-	2,550
Société de logistique et de préparation pour la biomasse	1,500	-	-	-	1,500
SADE CGTH	954	-	3	(115)	836
Veolia Water	194	-	194	-	0
Veolia China holding Ltd	147	-	147	-	0
Bartin Recycling SAS	110	-	110	-	0
Veolia Industries Global Solutions	66	-	66	-	0
Veolia Water Asia Pacific Limited	14	-	14	-	0
Veolia ES Singapore Pte Ltd	9	-	9	-	0
Campus Veolia Environnement	5	-	5	-	0
Veolia Water South China Ltd	1	-	-	-	1
Veolia ES Industrial Outsourcing Ltd	1	-	-	-	1
Veolia Africa	1	-	-	-	1
Other	9	-	9	-	0
TOTAL	11,091,762	646,077	1,583,559	(245,251)	9,909,029

This heading includes impairment of €106.3 million, including a write-back of €2.8 million in 2017.

3.1.4 Long-term loans and investments: Loans

Loans total €747.7 million as of December 31, 2017.

Loans mainly include term accounts not classified as cash equivalents of €720.6 million (including accrued interest) and a guarantee deposit in respect of subsidiary financing arrangements of ILS100 million, or €27.1 million euro-equivalent (including accrued interest) following the divestiture of activities in Israel.

3.1.5 Other long-term loans and investments

Other long-term loans and investments have a gross value of €764.3 million and a net value of €642.3 million as of December 31, 2017 and mainly comprise:

- the reclassification of the technical merger loss of €448.1 million recognized on the merger by absorption of Veolia Services Énergétiques in 2014. The impairment test performed in 2017 did not give rise to the recognition of an impairment loss;
- the net carrying amount of the 8,389,059 treasury shares held by Veolia Environnement, with a gross value of €299.8 million and a net value of €177.8 million.

3.1.6 Impairment of long-term loans and investments

Impairment of equity investments totals €3,330 million as of December 31, 2017.

Impairment of treasury shares totals €122 million as of December 31, 2017.

3.2 Trade receivables

Trade receivables have a gross value of €86.3 million and a net value of €78.7 million as of December 31, 2017 and primarily concern services billed to Group subsidiaries.

3.3 Other receivables

Other receivables total €2,128.7 million and mainly comprise the following balances:

(in € thousand)	As of December 31, 2017	As of December 31, 2016
Current accounts with Group subsidiaries	**1,848,065**	**1,367,020**
Other receivables	**256,454**	**204,516**
• Income tax receivables	216,637	163,116
• Other tax and employee-related receivables	18,061	19,724
• Financial receivables on derivatives	13,384	16,200
• Receivables on non-current asset disposals	0	13
• Accrued interest on current accounts	8,372	5,463

3.4 Marketable securities

3.4.1 Treasury shares

Veolia Environnement holds 13,704,835 treasury shares purchased under share purchase programs, including 8,389,059 shares recorded in "Other long-term loans and investments" (see Note 3.1.5 above).

The remaining 5,315,776 shares recorded in marketable securities have a gross carrying amount of €121.9 million and a net carrying amount of €97.5 million at the end of 2017. These shares were allocated to cover stock option programs or other share award programs to Group employees.

The impairment of €24.4 million represents the difference between the purchase cost of the Veolia Environnement shares and the average stock market price during the nineteen trading days preceding December 31, 2017. A write-back of €19.2 million was recorded in fiscal year 2017.

Liquidity contract

The liquidity contract signed with Rothschild & Cie Banque on September 30, 2014 was renewed by tacit agreement for a 12-month period in September 2017. As of December 31, 2017, an amount of €30 million is allocated to the operation of this liquidity account.

This liquidity contract forms part of the share buyback program authorized by the Veolia Environnement General Shareholders' Meeting of April 24, 2014.

In 2017, 6,425,087 shares were purchased for a total amount of €124.5 million and a weighted average share price of €19.37 and 7,785,087 shares were sold for a total amount of €148.2 million and a weighted average share price of €19.04. A capital gain of €0.1 million was generated under this contract.

3.4.2 Other securities

Other securities total €4,315.6 million as of December 31, 2017 and comprise SICAV mutual funds.

3.4.3 Treasury instruments

Treasury instruments total €108.2 million as of December 31, 2017 and break down as follows:

- interest-rate derivative spreads: €9.9 million;
- currency derivatives: €88.9 million;
- premium/discount: €9.4 million.

3.5 Cash at bank and in hand

Liquid assets total €320 million as of December 31, 2017 and include term accounts classified as cash equivalents and related accrued interest in the amount of €230.8 million.

3.6 Prepayments

Prepayments total €45.3 million and include balancing cash adjustments paid on interest rate swaps of €29.3 million.

3.7 Accrued income and deferred charges

3.7.1 Deferred charges: bond issue costs

Bond issue costs are spread on a straight-line basis over the bond term. Net deferred charges as of December 31, 2017 total €67.2 million.

Other deferred charges total €5.4 million and mainly comprise credit line issue costs, amortized on a straight-line basis over the repayment terms.

3.7.2 Bond redemption premiums

Unamortized bond redemption premiums total €147.5 million and mainly comprise the redemption premium recognized on the bond exchange performed in 2015 of €108 million as of December 31, 2017.

Bonds redemption premiums are amortized on a straight-line basis over the bond term.

4

3.8 Foreign exchange gains and losses and changes in value of treasury instruments

Foreign exchange gains and losses include unrealized foreign exchange gains and losses on matching positions and on the overall position per currency. In addition, matching positions include realized gains and losses on instruments where the underlying item has not yet matured.

(in € thousand)	Unrealized foreign exchange losses	Change in value of treasury instruments - Assets	Unrealized foreign exchange gains	Change in value of treasury instruments - Liabilities	Note
Matching foreign exchange positions	631,332	827,474	218,342	1,029,995	3.8.1
Overall foreign exchange position	11,676	-	40,594	-	3.8.2
TOTAL	643,008	827,474	258,936	1,029,995	

The following tables present the foreign exchange positions for the main currencies determined at the balance sheet date.

3.8.1 Unrealized foreign exchange gains and losses and changes in value of treasury instrument assets and liabilities on matching foreign exchange positions

Unrealized foreign exchange gains and losses presented below include not only unrealized gains and losses, but also realized gains and losses on financial instruments recognized in accordance with ANC Regulation no. 2015-05.

The following information concerns the most material currencies:

Account heading concerned by matching foreign exchange positions *(in € thousand)*	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Change in value of treasury instruments - Assets	Change in value of treasury instruments - Liabilities	Total asset matching position	Total liability matching position
Loans	39,247	0	0	610		
Currency derivatives	2,055	2,618	123,726	155,014		
Total AUD	41,302	2,618	123,726	155,624	165,028	158,242
Loans	21,616	0	667	0		
Borrowings	11	3,789	0	39		
Currency derivatives	170	2,894	3,480	16,767		
Total CNY	21,797	6,683	4,147	16,806	25,944	23,489
Loans	0	10,663	18,773	2,753		
Currency derivatives	5,905	0	7,678	22,206		
Total CZK	5,905	10,663	26,451	24,959	32,356	35,622
Loans	163,620	153	7,893	4,213		
Borrowings	363	35,430	0	0		
Currency derivatives	2,720	6,631	307,504	440,022		
Total GBP	166,703	42,214	315,397	444,235	482,100	486,449
Loans	48,700	280	78	0		
Currency derivatives	56	12,125	57,844	96,539		
Total HKD	48,756	12,405	57,922	96,539	106,678	108,944
Loans	20,163	0	8,427	1,872		
Currency derivatives	0	1,625	17,104	42,236		
Total JPY	20,163	1,625	25,531	44,108	45,694	45,733
Loans	656	42,228	0	7		
Currency derivatives	12,943	0	84,903	59,646		
Total PLN	13,599	42,228	84,903	59,653	98,502	101,881
Loans	70,223	30,912	13,159	9,706		
Borrowings	221,211	34,066	24,257	73		
Currency derivatives	9,319	25,146	118,229	142,377		
Total USD*	300,753	90,124	155,645	152,156	456,398	242,280
Total Other currencies	12,354	9,782	33,752	35,915	46,106	45,697
GRAND TOTAL	631,332	218,342	827,474	1,029,995	1,458,806	1,248,337

* *A provision was not booked in respect of US dollar net unrealized foreign exchange losses on matching positions of USD191 million, as they correspond to a hedge of securities.*

3.8.2 Unrealized foreign exchange gains and losses on the overall foreign exchange position per currency, excluding matching positions

The following table presents the most material unrealized gains and losses on foreign currencies included in the overall foreign exchange position:

Currency concerned by the unrealized foreign exchange gains and losses *(in € thousand)*	Total net unrealized foreign exchange loss	Total net unrealized foreign exchange gain
AED	6	610
CNY	4,412	1
CZK	810	30
DKK	-	661
GBP	60	32,502
HKD	68	4,582
JPY	410	-
KRW	-	290
KWD	312	-
NOK	469	-
PLN	3	1,161
QAR	269	-
SEK	366	1
USD	3,422	55
ZAR	481	-
Other currencies	588	701
GRAND TOTAL	11,676	40,594

The provision for foreign exchange losses on the overall foreign exchange position of €11.4 million, is determined based on the overall foreign exchange position of each currency and year of maturity.

NOTE 4 BALANCE SHEET EQUITY AND LIABILITIES

4.1 Share capital and reserves

(in € thousand)	Opening balance	Change in method	Increase	Decrease	Closing balance
Share capital	**2,816,824**	**-**	**-**	**-**	**2,816,824**
Additional paid-in capital	2,842,183	-	-	-	2,842,183
Additional paid-in capital (2003 share capital reduction)	3,443,099	-	-	-	3,443,099
Additional paid-in capital in respect of contributions	3,971	-	-	-	3,971
Additional paid-in capital in respect of bonds convertible into shares	681,881	-	-	-	681,881
Additional paid-in capital in respect of share subscription warrants	2,725	-	-	-	2,725
Reserve required by law	281,682	-	-	-	281,682
Special long-term capital gains reserve	-	-	-	-	-
Frozen reserves	-	-	-	-	-
Other reserves	-	-	-	-	-
Retained earnings(1)	-	228,624	74,112	-	302,736
Prior year net income/(loss)	513,840	-	-	513,840	-
Tax-driven provisions	3,908	-	1,418	-	5,326
TOTAL BEFORE NET INCOME FOR THE YEAR	**10,590,113**	**228,624**	**75,530**	**513,840**	**10,380,427**
Net income for the period	-	-	314,498	-	314,498
TOTAL AFTER NET INCOME FOR THE YEAR	**10,590,113**	**228,624**	**390,028**	**513,840**	**10,694,925**

(1) The retrospective application of ANC Regulation no. 2015-05 on financial instruments and hedging transactions as of January 1, 2017 had a favorable impact on retained earnings of €228.6 million. This change in accounting method is presented in Major events of the period (see Note 1.1 above).

The share capital comprises 563,364,823 shares with a par value of €5 each, unchanged on December 31, 2016.

2016 net income of €513.8 million was distributed to shareholders in the amount of €439.7 million, with the residual balance of €74.1 million taken to retained earnings.

4.2 Provisions for contingencies and losses

Movements in provisions for contingencies and losses

(in € thousand)	Opening balance	Change in method	Charge	Write-backs used	Write-backs not used	Closing balance
Provision for foreign exchange losses[1]	379,594	(365,768)	-	2,419	-	11,407
Provision for other contingencies	55,746	-	4,541	1,151	11,129	48,007
Provision for losses	18,334	-	37,314	2	17,543	38,103
TOTAL	453,674	(365,768)	41,855	3,572	28,672	97,517
Nature of charges and write-backs:						
Operating			38,172	1,153	18,846	
Financial			-	2,419	-	
Exceptional			3,683	-	9,826	
TOTAL			41,855	3,572	28,672	

(1) Application of ANC Regulation no. 2015-05 on treasury instruments and hedging transactions led to a decrease of €365.8 million in the provision for foreign exchange losses. This decrease was recognized through retained earnings in accordance with Article 122-2 of ANC Regulation no. 2014-03.

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4.3 Bond issues

(in € thousand)	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Other bond issues	8,947,064	1,800,000	1,271,267	(84,215)	9,391,582
Accrued interest on other bond issues	168,321	142,662	168,321	-	142,662
TOTAL	9,115,385	1,942,662	1,439,588	(84,215)	9,534,244

The €1,800.0 million increase breaks down as follows:

- a new €1.3 billion fixed-rate issue performed on March 20, 2017 and comprising a €650 million bond line maturing in March 2022 and bearing a coupon of 0.672% and a €650 million bond line maturing in November 2026 and bearing a coupon of 1.496%;
- a new €500 million fixed-rate bond issue performed on November 16, 2017 and maturing in November 2020.

The €1,271.0 million decrease breaks down as follows:

- the maturity on January 16, 2017 of the euro-denominated bond line paying a coupon of 4.375% in the amount of €606.4 million;
- the maturity on May 19, 2017 of the euro-denominated bond line paying floating-rate interest in the amount of €350 million;
- the maturity on June 28, 2017 of the Chinese renminbi-denominated bond line paying a coupon of 4.5% in the amount of €64.8 million (CNY500 million);
- the maturity on June 29, 2017 of the euro-denominated bond line paying a coupon of 5.7% in the amount of €250 million.

4.4 Bank and other borrowings

Bank and other borrowings total €8,847.1 million and break down as follows:

(in € thousand)	As of December 31, 2017	As of December 31, 2016
Current accounts with Group subsidiaries	3,552,615	4,359,462
Treasury Note outstandings	3,489,526	2,764,055
Deeply subordinated perpetual securities (TSSDI)	1,497,950	1,514,836
Tax group current accounts	255,500	253,054
Bank accounts in overdraft and short-term bank facilities	51,460	101,007
TOTAL	8,847,051	8,992,414

4.5 Operating payables

Tax and employee-related liabilities

This heading totals €63.3 million and includes:

- personnel costs – accrued expenses: €28.1 million;
- social welfare organizations: €24.2 million;
- value added tax: €5.3 million;
- French State - accrued expenses: €5.7 million.

4.6 Miscellaneous liabilities

Treasury instruments

This heading totals €94.5 million and includes:

- interest-rate derivative spreads: €1.4 million;
- currency derivatives: €72.6 million;
- premium/discount: €20.5 million.

Deferred income

Deferred income totals €135.6 million and mainly concerns financial instruments:

- balancing payments on derivatives of €120.6 million;
- bond issue premiums of €13.3 million;
- deferred income relating to operating items for €1.7 million.

NOTE 5 RECEIVABLES AND DEBT MATURITY ANALYSIS

(in € thousand)	Amount	Falling due in one year	Falling due in more than one year
Non-current assets			
Loans to equity investments	9,909,029	22,086	9,886,943
Other long-term investment securities	1,446	-	1,446
Loans	747,743	286,521	461,222
Other long-term loans and investments	764,317	-	764,317
Current assets			
Payments on account – inventories	872	872	-
Trade receivables and related accounts	86,353	86,353	-
Group and associates	1,848,065	1,848,065	-
Other receivables	280,661	67,786	212,875
Marketable securities	4,545,693	4,535,499	10,194
Cash at bank and in hand	320,310	320,310	-
Prepayments	45,268	15,614	29,654
TOTAL RECEIVABLES	18,549,757	7,183,106	11,366,651

(in € thousand)	Amount	Falling due in one year	Falling due in one to five years	Falling due after five years
Liabilities				
Bond issues	9,534,244	614,223	4,153,852	4,766,169
Deeply subordinated perpetual securities (TSSDI)	1,497,950	1,497,950	-	-
Other borrowings	3,489,526	3,489,526	-	-
Group and associates	3,808,115	3,808,115	-	-
Bank accounts in overdraft and short-term bank facilities	51,460	51,460	-	-
Other	471,518	348,125	87,438	35,955
TOTAL LIABILITIES	18,852,813	9,809,399	4,241,290	4,802,124

NOTE 6 INCOME STATEMENT

6.1 Net income from ordinary activities

Net income from ordinary activities before tax is €207 million.

6.1.1 Operating revenue

(in € thousand)	December 31, 2017	December 31, 2016	Note
Sales of services and other	485,306	427,626	Note 1
Own production capitalized	11,692	5,233	
Operating subsidies	102	89	
Write-back of provisions (and depreciation and amortization) and expense reclassifications	32,995	84,901	Note 2
Other revenue	87,820	81,943	Note 3
TOTAL	617,915	599,792	

Note 1: the increase in sales of services is tied to amounts billed to Group subsidiaries.

Note 2: write-backs of provisions for contingencies and losses total €20 million, write-backs of impairment on trade receivables total €5.6 million, write-backs of impairment on property, plant and equipment total €0.2 million and expense reclassifications total €7.1 million.

Note 3: other revenue includes indemnities in full and final settlement of repair and maintenance work (see Note 7.2. below).

6.1.2 Operating expenses

(in € thousand)	December 31, 2017	December 31, 2016	Note
Other purchases and external charges	302,595	302,437	
Duties and taxes other than income tax	17,619	16,711	
Personnel costs (wages, salaries and social security contributions)	191,178	195,904	
Depreciation, amortization and charges to provisions	80,596	35,511	Note 1
Other expenses	121,823	108,716	Note 2
TOTAL	713,811	659,279	

Note 1: the increase is mainly due to amortization of IT projects of €14 million and charges to the Management Incentive Plan loss provision of €34 million (see Note 7.8 below).

Note 2: other expenses include indemnities paid in respect of repair and maintenance work of €92.5 million in 2017 and €97.7 million in 2016.

6.1.3 Financial income and expenses

(in € thousand)	December 31, 2017	December 31, 2016	Note
Expenses on long-term borrowings	**(403,902)**	**(419,875)**	
Income from other securities and long-term receivables	**6,786**	**8,929**	
Foreign exchange gains and losses(1)	**614**	**322,893**	
Other financial income and expenses	35,249	21,133	
Amortization, impairment and charges to provisions for financial items	(62,243)	(516,564)	Note 1
Investment income	652,107	620,649	
Net gain/loss on sales of marketable securities	(1,992)	1,448	
Write-back of provisions for financial items, impairment and expense reclassifications	76,168	580,765	Note 2
Other financial income and expenses	**699,289**	**707,431**	
NET FINANCIAL INCOME	302,788	619,378	

(1) The decrease of €322.3 million in foreign exchange gains and losses is due to application of the reform introduced by ANC Regulation no. 2015-05.

Note 1: financial charges in 2017 break down as follows:

- a charge to impairment of inter-company current accounts and loans of €24.5 million in 2017, compared with €37.7 million in 2016;
- a charge to impairment of equity investments of €18.7 million;
- amortization of redemption premiums of €18.8 million in 2017, compared with €19.5 million in 2016.

Note 2: provision write-backs in 2017 primarily break down as follows:

- a write-back of impairment of treasury shares (financial assets and marketable securities) of €64.8 million in 2017, compared with a charge of €53.9 million in 2016;
- a write-back of impairment of equity investments of €2.7 million in 2017 compared with €284.8 million in 2016 (including €283.4 million in respect of Transdev Group);
- a write-back of provisions for foreign exchange losses of €2.4 million in 2017, compared with a net charge of €116.5 million in 2016. Pursuant to the application of ANC Regulation no. 2015-05 on forward financial instruments and hedging transactions, a provision write-back of €365.8 million was recorded in retained earnings;
- a write-back of impairment of inter-company current accounts and loans of €6.2 million in 2017, compared with €32.7 million in 2016.

6.2 Exceptional items

Exceptional items, representing net income of €12.9 million, break down as follows:

(In € million)	December 31, 2017
Net write-back of contingency provisions(1)	6.1
Net exceptional income from non-capital transactions	8.1
Other	(1.3)
TOTAL	12.9

(1) Including write-backs of €6.2 million in respect of contingency provisions for IT compliance.

6.3 Income tax and the consolidated tax group

Within the framework of a tax group agreement, Veolia Environnement forms a tax group with those subsidiaries at least 95% owned that have elected to adopt this regime. Veolia Environnement is liable for the full income tax charge due by the resulting tax group.

The income tax expense is allocated to the different entities comprising the tax group according to the "neutrality" method. Each subsidiary bears the tax charge to which it would have been liable if it were not a member of the tax group. The parent company records its own tax charge and the tax saving or additional charge resulting from application of the tax group regime.

The tax group election came into force on January 1, 2001 for a period of five years and benefits from tacit renewal failing explicit termination by Veolia Environnement at the end of this five-year period.

The application of the tax group regime in 2017 is reflected in the Veolia Environnement financial statements by a tax saving in respect of the subsidiaries of €87.5 million.

Tax income of €17.4 million was recognized following filing of a request for repayment of the 3% additional contribution on dividends paid in prior years.

A charge of €3 million corresponding to tax credits not offset against current income tax was also recognized.

The CICE Competiveness and Employment tax credit received by Veolia Environnement in respect of 2017 of €289 thousand enabled the Company to incur additional expenditure and thereby finance improvements in competitiveness primarily through investment, research, innovation, training, recruitment, the prospection of new markets and the replenishment of working capital.

6.4 Net income

Veolia Environnement reported net income of €314.5 million for 2017.

NOTE 7 OTHER DISCLOSURES

7.1 Off-balance sheet commitments

Commitments given by Veolia Environnement total €2,148 million as of December 31, 2017, (including counter-guarantees) and primarily consist of financing and performance guarantees given on behalf of subsidiaries:

(in € thousand)	As of December 31, 2017	As of December 31, 2016	Note
Commitments given			
Discounted notes not yet matured	-	-	
Endorsements and guarantees[(1)]	2,085,276	2,386,088	Note 1
Equipment finance lease commitments	-	-	
Real estate finance lease commitments	-	-	
Pension obligations and related benefits	62,701	63,980	Note 2
TOTAL	2,147,977	2,450,068	Note 3
Commitments received			
Endorsements and guarantees	78,634	112,095	

(1) Of which commitments given in respect of related companies: €35.5 million.

Note 1: Main endorsements and guarantees

The €302.1 million decrease in commitments given breaks down as follows:

- the termination of joint and several payment guarantees covering real estate rent of €37.4 million;
- the termination of warranties linked to the divestment in 2004 of Veolia Environnement's activities in the United States in the amount of €41.6 million;
- the decrease in future rent payable in the total amount of €27.7 million;
- a decrease related to foreign exchange impacts of €157.6 million.

Veolia Environnement is required to grant the following types of endorsement and guarantee:

- **Operational or operating guarantees of €0.6 billion**

  These are commitments not relating to the financing of operations, required in respect of contracts and markets and generally in respect of the operations and activities of Group companies (bid bonds accompanying tender offers, completion or performance bonds given on the signature of contracts or concession arrangements and counter-guarantees granted by Veolia Environnement to insurance companies that issue bonds on behalf of its subsidiaries). This type of guarantee also includes letters of credit delivered by financial institutions to Group creditors, clients and suppliers for their business requirements or to guarantee various commitments such as the payment of leases or reinsurance obligations.

- **Financial guarantees of €1.3 billion**

  These primarily relate to guarantees given to financial institutions in connection with the borrowings of subsidiaries, including project financing, and Veolia Environnement's joint and several commitments regarding divestments by subsidiaries or direct Veolia Environnement warranties on asset divestitures.

  Warranties mainly included:

  - warranties given in connection with the divestiture of the investment in Berlin Water in the amount of €485 million;
  - warranties linked to the divestment in 2004 of Veolia Environnement's activities in the United States in the amount of €62.5 million;
  - warranties given in connection with the divestiture of American and European wind energy activities in the amount of €27 million;
  - warranties given to EDF in connection with the Dalkia redistribution transaction, consisting of specific warranties capped at €45 million and reducing by €10 million each year from April 2, 2015. Warranties are estimated at €15 million at the year-end, but will reduce to €5 million from April 2, 2018;
  - warranties relating to guarantees (joint and several) covering obligations of U.S. and Canadian subsidiaries under letters of credit granted by several banking institutions in the amount of €368.3 million;
  - warranties given under the trade receivables factoring program in France, the United Kingdom and the United States in the amount of €92.1 million.

Note 2: Pension obligations and related benefits

A breakdown of obligations, net of plan assets, is presented below:

(in € thousand)

Pension obligations pursuant to Article 14 of the Collective Agreement	37,942
Collective insurance contract in favor of Group executives (active and retired)	19,303
Insurance company contract in favor of Executive Committee members (retired)	5,456
TOTAL*	**62,701**

* *Of which obligations for Executive Committee members as of December 31, 2017: €3.2 million.*

Note 3: Other commitments given

In addition to commitments given of €2,148 million, Veolia Environnement also granted commitments of an unlimited amount in respect of:

- completion or performance bonds;
- a sludge incineration plant construction contract and waste processing contracts in Hong Kong in the Water and Waste businesses.

These commitments are limited to the duration of the related contracts and were approved in advance by the Board of Directors of Veolia Environnement.

It is recalled that, in connection with the Dalkia redistribution, Veolia Environnement granted EDF in 2014 a call option over all Veolia Énergie International (formerly DKI) securities, exercisable in the event of a direct or indirect takeover of Veolia Énergie International by an EDF competitor.

This call option was granted for a period of five years commencing July 25, 2014, that is, until July 25, 2019.

7.2 Specific contractual commitments

The financial management of maintenance and repair costs for installations provided by delegating authorities, for certain French subsidiaries, was mutualized and centralized until December 31, 2003 within Veolia Environnement and, partially, since January 1, 2004 within Veolia Eau-Compagnie Générale des Eaux.

Therefore, Veolia Environnement, as an active partner of certain water and heating subsidiaries of Veolia Eau-Compagnie Générale des Eaux, has undertaken to repay all maintenance and repair costs resulting from contractual obligations to local authorities under public service delegation contracts. In return, the subsidiaries pay an indemnity in full and final settlement to Veolia Environnement, the amount of which is approved annually by the Supervisory Board of each subsidiary benefiting from this guarantee.

7.3 Derivative financial instruments and counterparty risk

Veolia Environnement is exposed to the following financial risks in the course of its business:

Market risk

- Interest rate risk (interest rate hedges, cash flow hedges).

  The financing structure of Veolia Environnement exposes it naturally to the risk of interest rate fluctuations. As such, floating-rate debt impacts future financial results in line with changes in interest rates. Veolia Environnement manages a fixed/floating rate position in each currency in order to limit the impact of interest rate fluctuations on its net income and to optimize the cost of debt. For this purpose, it uses interest rate swap and swaption instruments.

- Foreign exchange risk (hedges of balance sheet foreign exchange exposure and overall foreign exchange risk exposure).

  Foreign exchange risk is primarily managed using foreign-currency denominated financial assets and liabilities including foreign-currency denominated loans/borrowings and related hedges (e.g. currency swaps). With many offices worldwide, Veolia Environnement organizes financing in local currencies. In the case of inter-company financing, these credit lines can generate foreign exchange risk. To limit the impact of this risk, Veolia Environnement has developed a policy which seeks to back foreign-currency financing and foreign currency derivatives with inter-company receivables denominated in the same currency.

Equity risk

As of December 31, 2017, Veolia Environnement held 13,704,835 treasury shares, of which 8,389,059 were allocated to external growth operations and 5,315,776 were acquired for allocation to employees under employee savings plans. As part of its cash management strategy, Veolia Environnement holds UCITS. These UCITS have the characteristics of monetary UCITS and are not subject to equity risk.

Liquidity risk

Liquidity management involves the pooling of financing in order to optimize liquidity and cash. Veolia Environnement secures financing on international bond markets, international private placement markets, the treasury note market and the bank lending market.

Credit risk

Veolia Environnement is exposed to credit risk on the investment of its surplus cash and on its use of derivative instruments to manage interest rate and foreign exchange risk. Credit risk reflects the loss that Veolia Environnement may incur should a counterparty default on its contractual obligations. Veolia Environnement minimizes counterparty risk through internal control procedures limiting the choice of counterparties to leading banks and financial institutions. Veolia Environnement does not expect the default of any counterparties which could have a material impact on transaction positions or results.

As of December 31, 2017, the main derivative products held primarily comprised:

- interest rate swaps;
- trading swaps;
- cross-currency swaps;
- forward purchases of currency;
- forward sales of currency;
- hedging options.

The following table presents the net carrying amount of derivatives at the balance sheet date:

(in € thousand)	Assets	Liabilities
Accrued interest on swaps	9,920	1,354
Currency derivatives	88,846	72,612
Premium/discount*	9,404	20,553
Prepayments	29,325	-
Deferred income	-	120,677
TOTAL	137,495	215,196

* *The premium/discount represents the difference between the spot rate and the forward rate of the instruments. It is amortized over the term of the financial instrument.*

The fair value of derivatives at the balance sheet date is presented below:

(in € thousand)	Assets	Liabilities
Interest rate derivatives		
Hedging derivatives	9,739	20,888
Derivatives not qualifying for hedge accounting (trading)	-	-
Foreign currency derivatives		
Derivatives used in matching foreign exchange positions	43,712	34,588
Derivatives used in the overall foreign exchange position	42,200	39,771
TOTAL	95,651	95,247

The notional amounts of interest rate swaps globally designated as interest rate hedges at the balance sheet date are presented in the following table:

(in € thousand)		Foreign currency amount	€ equivalent
Swaps hedging debt			
Fixed-rate payer/floating-rate receiver swaps	EUR	869,119	869,119
Fixed-rate payer/floating-rate receiver swaps	GBP	100,000	112,714
Floating-rate payer/fixed-rate receiver swaps	EUR	3,506,877	3,506,877
Floating-rate payer/fixed-rate receiver swaps	GBP	100,000	112,714
TOTAL			4,601,424
Trading swaps			
Fixed-rate receiver/floating-rate payer swaps	EUR	-	-
Fixed-rate payer/floating-rate receiver swaps	EUR	-	-
TOTAL			

The notional amounts of cross-currency swaps, currency swaps and currency forwards at the balance sheet date are presented below:

(in € thousand)	Purchases	Sales
Currency hedging instruments included in matching foreign exchange positions:		
Cross currency swaps:		
EUR	90,843	60,000
CNY	80,302	80,302
CZK	0	47,587
TOTAL	171,145	187,889
Currency forwards:		
AUD	0	396,112
CAD	1,127	20,557
CNY	2,672	217,393
CZK	0	145,769
EUR	3,870,332	20,650
GBP	0	1,072,442
HKD	854	617,671
HUF	11,601	129,296
ILS	0	23,106
JPY	0	153,291
PLN	599	1,068,909
RON	0	97,537
SEK	0	60,803
SGD	0	29,085
USD	3,943	631,268
Other currencies	0	62,783
TOTAL	3,891,128	4,746,672

(in € thousand)	Purchases	Sales
Currency hedging instruments included in the overall foreign exchange position:		
Cross currency swap:		
BRL	90,614	90,614
EUR	93,584	93,584
TOTAL	184,198	184,198

(in € thousand)	Purchases	Sales
Currency hedging instruments included in the overall foreign exchange position		
Currency forwards:		
AED	19,148	36,987
AUD	96,215	96,200
CAD	89,459	133,289
CHF	30,805	23,201
CLP	44,619	48,741
CNY	60,095	54,797
CZK	135,222	109,284
DKK	82,628	70,864
EUR	1,684,664	2,121,820
GBP	666,012	143,786
HKD	93,634	295,000
HUF	45,515	10,760
JPY	59,133	66,558
KRW	109,252	109,252
PLN	230,673	131,782
RON	26,285	44,441
SEK	39,580	76,686
SGD	27,040	28,977
USD	623,351	574,018
Other currencies	89,097	102,387
TOTAL	4,252,427	4,278,830

7.4 Average workforce

	2017 Salaried employees	2016 Salaried employees
Executives	979	944
Supervisors and technicians	46	28
Administrative employees	49	47
Workers	-	-
TOTAL	1,074	1,019

The average workforce as defined by Article D. 123-200 of the French Commercial Code (French Chart of Accounts Articles 832-19, 833-19, 834-14 and 835-14) is now disclosed. The average number of salaried employees is equal to the arithmetical average of the number of employees at the end of each quarter of the calendar year, holding an employment contract with the Company.

7.5 Management compensation

(in euros)	Amount
Compensation granted to members of management bodies	2,894,566

The above amount only includes compensation borne by Veolia Environnement.

Compensation paid by other entities is, therefore, excluded.

7.6 Deferred tax

Deferred tax liabilities

(in € thousand)	Amount
Tax-driven provisions	
Accelerated depreciation	5,326
Provisions for price increases	-
Provisions for exchange rate fluctuations	-
Other	
Investment subsidies	-
Income temporarily non-taxable	-
Income deferred for accounting but not tax purposes	-
Unrealized foreign exchange losses	1,573,196
Change in value of treasury instruments - Assets	-
TOTAL	1,578,522

Deferred tax assets

(in € thousand)	Amount
Provisions not deductible in the year recorded:	
Provisions for paid leave	-
Statutory employee profit-sharing	-
Provisions for contingencies and losses	-
Other non-deductible provisions	53,363
Other	
Taxed income not recognized	119,383
Difference between the NCA/tax value of treasury shares	72,818
Amortization of option premiums	-
Unrealized foreign exchange gains	1,288,931
Change in value of treasury instruments - Liabilities	-
TOTAL	1,534,494
Tax losses carried forward	3,621,907
Long-term capital losses	10

If the Company were taxed separately, the impact of these timing differences on the financial statements would generate a theoretical net tax receivable of €924.2 million (assumed tax rate for the calculation of the deferred tax position: 25.83%).

7.7 Audit fees

Audit fees billed in respect of the statutory audit of the accounts and services falling within the scope of related diligence procedures are presented in the Veolia Environnement annual financial report (see Chapter 3, Section 3.5 above).

7.8 Share-based compensation

Veolia Environnement has implemented a standard fixed share purchase or subscription option plan, as well as a variable plan for management.

At the end of 2017, the only current option plan was as follows:

	N° 8
	2010
Grant date	09/28/2010
Number of options granted	2,462,800
Number of options not exercised*	0
Plan term	8 years
Vesting conditions	4 years' service plus performance conditions
Vesting method	After 4 years
Strike price *(in euros)*	22.50

* *Due to failure to achieve performance criteria, validated by the Board of Directors' Meeting of March 14, 2013. In the event of a public offer for the Company's shares, 2,127,400 options would become available for exercise.*

Management incentive plan

In October 2014, the Group introduced a long-term incentive plan, the "Management Incentive Plan" (MIP), for the Group's top executives (including the Chief Executive Officer and Executive Committee members).

This plan is based on a joint investment approach with a personal investment by the beneficiary in the Company's shares, accompanied by the grant, subject to performance conditions, of an "additional" share bonus financed by the Group.

The share bonus, granted in three tranches, is tied to an increase in the share price and the achievement of financial performance criteria relating to the publication of the Group's 2015, 2016 and 2017 annual accounts. The three tranches do not vest until expiry of the plan in April 2018, subject to the confirmation at this date of the presence of the relevant beneficiaries and the retention by them of the shares initially invested.

As of December 31, 2017, a total of 379,585 shares was invested in this plan.

A charge to the provision for the MIP was recorded in operating income in the amount of €16.7 million in 2017.

7.9 Related party transactions

Relations with other related parties break down as follows:

Relations with Caisse des dépôts et consignations (4.62% shareholding as of December 31, 2017)

The Caisse des dépôts et consignations is considered a related party, as a legal entity director sitting on the Board of Directors of Veolia Environnement.

On December 21, 2016, Veolia Environnement and Caisse des dépôts et consignations finalized an agreement entered into on July 29, 2016 concerning Veolia Environnement's withdrawal from the transportation business and the share capital of Transdev Group. The agreements entered into pursuant to this agreement and which continued in effect in 2017 are described in Note 3.3 to the 2016 consolidated financial statements.

Relations with Raise Investissement

In July 2016, Veolia Environnement subscribed to a share capital increase for cash by Raise Investissement SAS in the amount of €5 million (subscription for 5 million newly issued shares with a par value of one euro each). The subscription amount was paid up 50% in July 2016 and 25% in October 2017 and the residual balance will be settled when called by the Chairman of this company within a maximum of five years.

The duties of Chairman of Raise Investissement SAS are performed by Raise Conseil SAS.

Mrs. Clara Gaymard, a director of Veolia Environnement, is considered a related party due to her position as Chief Executive Officer of Raise Conseil SAS.

Relations with SM Conseil

On March 20, 2017, Veolia Environnement entered into a three-year service agreement with "SM Conseil" SAS, commencing immediately. Under the terms of the agreement, Veolia Environnement retained this company to assist it (1) promote Veolia to other stakeholders and potential partners with the aim of developing its business and (2) identify potential decision-makers and managers likely to contribute to the implementation of its strategy.

This agreement provides for payment to "SM Conseil" SAS of fixed remuneration of €400,000 per annum, adjusted in line with the SYNTEC index. It does not provide for the payment of "success fees".

SM Conseil SAS is chaired by Mr. Serge Michel, a non-voting Director (censeur) on the Veolia Environnement Board of Directors.

7.10 Subsequent events

None.

7.11 Subsidiaries and equity investments(1)

Investments acquired in 2017, within the meaning of Article L. 233-7 of the French Commercial Code (crossing of investment thresholds laid down by law) concern:

- Vigie 51 AS for 100%;
- Vigie 52 AS for 100%;
- GIE Veolia Placements for 50%.

Company	Number of shares held	Share capital	Shareholders' equity other than share capital*	% share capital held	Carrying amount of shares held	
					GROSS	NET
Veolia Eau-Compagnie Générale des Eaux(1)	214,187,293	2,207,287	784,216	100.00%	8,300,000	5,316,473
Veolia Propreté(1)	8,967,700	143,483	1,185,877	100.00%	1,930,071	1,930,071
Veolia Énergie International(1)	87,972,838	1,760,127	192,327	99.96%	1,136,648	1,136,648
VE Finance(1)	100,003,700	1,000,037	26,548	100.00%	1,000,037	1,000,037
Veolia North America Inc.(2)	198	1	722,068	13.43%	693,526	693,526
Transdev Group	35,461,110	1,137,120	279,763	30.00%	582,611	330,000
Veolia Environnement Énergie et Valorisation(1)	13,703,700	137,037	9,491	100.00%	137,037	129,528
Veolia Holding America Latina SA	9,420	56,520	30,751	100.00%	270,219	270,219
Veolia Environnement Services-RE	6,099,999	61,000	23,999	100.00%	61,000	61,000
Codeve	3,000,000	3,000	22,542	100.00%	38,000	25,540
Campus Veolia Environnement	10,000	100	(2,150)	100.00%	64,751	0
Veolia Industries Global Solutions	1,033,334	15,500	4,732	100.00%	16,113	16,113
SAS LT 65	60,000	807	(699)	12.98%	300	0
VIGIE 3 AS	41,829	251	16,684	100.00%	266	266
Artelia Ambiente SA	10,000	50	(129,112)	100.00%	50	0
VIGIE 1 AS(1)	21,100	211	7,538	100.00%	238	238
VIGIE 2	3,814	38	(7,385)	99.84%	38	0
SIG 41	2,495	38	(15)	99.80%	53	23
VIGIE 28 AS	3,700	37	17	100.00%	37	37
Veolia Innove	3,700	37	(17)	100.00%	903	0
Veolia Environnement Ingénierie Conseil	14,657	147	3	100.00%	7,520	147
VIGIE 33	3,694	37	(16)	99.84%	37	37

(1) Reporting currency - In € thousands.

Loans and Advances granted by the Company (gross)**	2016 revenu	2017 revenue (provisional figures)	2016 net income	2017 net income (provisional figures)	Dividends recorded in the last fiscal year	Year-end
(115,347)	2,241,357	2,142,007	146,642	106,084	141,364	Year ended December 31, 2017
(114,342)	268,339	472,381	114,090	67,174	111,110	Year ended December 31, 2017
(669,306)	184,444	133,160	(37,166)	107,103	-	Year ended December 31, 2017
7,702,787	284,528	399,673	37,799	54,468	-	Year ended December 31, 2017
89,206	35,000	(34,329)	193,497	49,863	7,318	Year ended December 31, 2017
0	83,500	86,677	47,850	155,040	-	Year ended December 31, 2017
(32,281)	19,518	9,968	(3,263)	9,491	-	Year ended December 31, 2017
14,468	29,494	42,187	1,938	17,784	-	Year ended December 31, 2017
-	37,830	38,662	2,149	(1,406)	-	Year ended December 31, 2017
-	16,514	16,294	2,322	488	-	Year ended December 31, 2017
1,060	25,387	24,708	(4,355)	(2,151)	-	Year ended December 31, 2017
(362)	137,120	147,664	(5,468)	4,067	-	Year ended December 31, 2017
0	4,075	1,974	(238)	3	-	Year ended June 30, 2017
5,116	-	-	4,175	5,525	6,927	Year ended December 31, 2017
106,364	3,468	1,299	(2,388)	(65,857)	-	Year ended December 31, 2017
7,018	14,000	6,000	11,363	3,388	7,005	Year ended December 31, 2017
7,433	-	-	(587)	(142)	-	Year ended December 31, 2017
(9)	-	-	(3)	(2)	-	Year ended December 31, 2017
(25)	-	-	2	3	-	Year ended December 31, 2017
148	4,426	4,329	(14)	15	-	Year ended December 31, 2017
2,610	3,411	3,924	(831)	3	-	Year ended December 31, 2017
(22)	-	-	(2)	(2)	-	Year ended December 31, 2017

Company	Number of shares held	Share capital	Shareholders' equity other than share capital*	% share capital held	Carrying amount of shares held GROSS	Carrying amount of shares held NET
VIGIE 34	3,694	37	(16)	99.84%	37	37
VIGIE 37 AS	3,700	37	(1,910)	100.00%	37	37
VIGIE 41 AS	3,700	37	(15)	100.00%	37	37
VIGIE 43 AS(1)	3,700	37	(1,542)	100.00%	37	0
GECIR GIE - in liquidation(4)	5	N/A	0	5.00%	35	35
GIE du 36, avenue Kléber - in liquidation(4)	2	N/A	34	66.67%	0	0
Veolia Eau d'Île de France	100	100	12,852	1.00%	1	1
Sloveo AS	1	33	1,191	1.00%	0	0
Veolia Support Services China	1	0	0	100.00%	0	0
Veolia Support Services Deutschland	1	25	(3)	100.00%	25	25
Veolia Support Services Sp. zo.o	50	1	(19)	100.00%	1	1
SNCM Liquidation	1,581,183	35,037	(714,933)	67.69%	0	0
VIGIE 48 AS	3,700	37	(4)	100.00%	37	37
VIGIE 49 AS	3,700	37	(5)	100.00%	37	37
VIGIE 50 AS	3,700	37	(5)	100.00%	37	37
VIGIE 51 AS	3,700	37	(2)	100.00%	37	37
VIGIE 52 AS	3,700	37	(2)	100.00%	37	37
Veolia Water Information Systems (VW IS)	260,173	9,625	831	13.52%	1,717	1,414
Vestalia	519	37	1,670	14.03%	89	89
GIE Veolia Placements(4)	1	N/A	NC	50.00%	0	0
Other subsidiaries and equity investments (less than 1% of share capital)						
Veolia Environnement UK(3)	866,733	872,405	37,732	0.11%	1,387	1,387
Vigeo	5,750	12,055	(9,643)	0.95%	219	23
Fovarosi Csatornazasi Muvek Reszvenytar	1	225,711	98,446	0.06%	0	0

* *Including net income for the year.*
** *Including partner current accounts.*
(1) *Company which is primarily a holding company. The "Revenue" column includes operating revenue and financial income, excluding provision write-backs and foreign exchange gains and losses.*
(2) *The main activity of this company consists in being the head holding company of the US consolidated tax group.*
(3) *The main activity of this company consists in being the head holding company of the UK consolidated tax group.*
(4) *Number of votes.*
NC Not communicated.
N/A Not applicable.

Loans and Advances granted by the Company (gross)**	2016 revenu	2017 revenue (provisional figures)	2016 net income	2017 net income (provisional figures)	Dividends recorded in the last fiscal year	Year-end
(22)	-	-	(2)	(2)	-	Year ended December 31, 2017
-	-	-	(2)	(1,897)	-	Year ended December 31, 2017
-	-	-	(2)	(2)	-	Year ended December 31, 2017
-	-	-	(1,318)	(123)	-	Year ended December 31, 2017
-	-	0	(382)	(4)	-	Year ended December 31, 2017
678	18,715	(77)	0	0	-	Year ended December 31, 2017
-	396,850	407,489	11,976	12,852	-	Year ended December 31, 2017
-	8,439	9,308	286	266	3	Year ended December 31, 2017
-	0	0	0	0	-	Year ended December 31, 2017
-	-	-	(1)	0	-	Year ended December 31, 2017
-	3,817	2,078	18	(98)	19	Year ended December 31, 2017
-	642	0	0	0	-	Year ended December 31, 2017
-	N/A	-	N/A	(2)	-	Year ended December 31, 2017
-	N/A	-	N/A	(2)	-	Year ended December 31, 2017
-	N/A	-	N/A	(2)	-	Year ended December 31, 2017
-	N/A	-	N/A	(2)	-	Year ended December 31, 2017
-	N/A	-	N/A	(2)	-	Year ended December 31, 2017
-	85,457	82,758	396	(2,787)	36	Year ended December 31, 2017
-	17,420	15,739	64	1,078	-	Year ended December 31, 2017
0	N/A	NC	N/A	NC	-	NC
833,553	104,448	81,309	(55,618)	1,700	-	Year ended December 31, 2017
-	7,763	11,800	(5,229)	(3,000)	-	Year ended December 31, 2017
0	NC	117,469	NC	11,295	-	Year ended December 31, 2017

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4.2.6 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to the shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2017

To the General Shareholders' Meeting of Veolia Environnement,

Opinion

In compliance with the engagement entrusted to us by your General Shareholders Meetings, we have audited the accompanying annual financial statements of Veolia Environnement for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Accounts and Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors Responsibilities for the Audit of the Financial Statements Section of our report.

Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) no. 537/2014 or in the French Code of Ethics for Statutory Auditors.

Emphasis of Matter

We draw your attention to Note 2.2.4, Recognition of financial transactions, to the financial statements setting out the change in accounting method following the entry into effect of ANC Regulation 2015-05 of July 2, 2015 on forward financial instruments and hedging transactions. Our opinion is not modified in respect of this matter.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period, as well we adressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific elements, accounts or items of the financial statements.

Measurement of equity investments and loans to equity investments

Risk identified

As at December 31, 2017, equity investments and loans to equity investments are recorded in the balance sheet at a net carrying amount of €20,716 million and represent 67% of total assets. At their date of entry into Company assets, they are recorded at their acquisition cost.

As disclosed in Note 2.2.1 to the financial statements, the value in use of equity investments is determined by the Company based on criteria encompassing profitability, growth perspectives, net assets and the stock market value of securities held, where applicable. If the value in use of investments is lower than their net carrying amount, an impairment is recognized in the amount of the difference.

Given the amount of equity investments in the balance sheet and the sensitivity of the value in use to assumptions changes, we considered the measurement of the value in use of equity investments and loans to equity investments to be a key audit matter.

Our response

Our procedures primarily consisted in:

- assessing the compliance of the methodology used to determine the values in use applied by the Company with prevailing accounting standards and its consistency with the methodology applied last year for the relevant equity investments;
- assessing the methodology and data used by the Company to estimate the values in use and conducting a critical assessment of the implementation of this methodology and particularly, where applicable:
  - assessing the consistency of forecast cash flows with the most recent Company estimates used in the budget process and with respect to the economic and financial context in which the entities operate by analyzing the source of any differences between forecast and actual cash of flows prior periods;
  - assessing the multiples used and, in particular, the reference panel and transactions adopted to determine these multiples.

Besides to assessing the value in use of equity investments, our procedures also consisted in:

- assessing the recoverable amount of loans to equity investments with respect to analyses of equity investments performed;
- controlling the recognition of a contingency provision where the Company is committed to bearing the losses of a subsidiary with negative equity.

Verification of the management report and of the Other Documents provided to the Shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the management report and in the other documents provided to the shareholders with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the Board of Directors information given in the management report and in the other documents provided to the shareholders with respect to the financial position and the financial statements.

Information on Corporate governance report

We attest the inclusion in the section of the Board of Directors' management report on corporate governance of the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code relating to remunerations and benefits received by the Directors and any other commitments made in their favor, we have verified its consistency with the financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

We verified the compliance of the information provided pursuant to Article L. 225-37-5 of the French Commercial Code on factors that your Company considered likely to have an impact in the event of a public offer for cash or shares, with the relevant source documents communicated to us. Based on this work, we have no matters to report on this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders or holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Veolia Environnement by the Shareholders' Meetings of December 18, 1995 for KPMG SA and of December 23, 1999 for ERNST & YOUNG et Autres.

As at December 31, 2017, KPMG SA in the 23rd year and ERNST & YOUNG et Autres was in the 19th year of total uninterrupted engagement respectively, including 18 years since securities of the Company were admitted to trading on a regulated market.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Accounts and Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

These financial statements have been approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified by Article L. 823-10-1 of the French Commercial Code, the scope of our statutory audit does not include assurance on the viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

As part of an audit in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit. And furthermore:

- Identifies and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and performs audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, we modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Accounts and Audit Committee

We submit a report to the Accounts and Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Accounts and Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters, that we are required to describe this report.

We also provide the Accounts and Audit Committee with the declaration referred to in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France as defined in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss with the Accounts and Audit Committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

Paris-La Défense, March 13, 2018

The Statutory Auditors

French original signed by

KPMG Audit SA		**ERNST & YOUNG et Autres**	
A division of KPMG SA			
Jean-Paul Vellutini	Karine Dupré	Gilles Puissochet	Xavier Senent

4.2.7 PARENT COMPANY RESULTS FOR THE LAST FIVE YEARS AND OTHER SPECIFIC INFORMATION

Parent company results for the last five years

	2017	2016	2015	2014	2013
Share capital at the end of the fiscal year					
Share capital *(in € thousand)*	2,816,824	2,816,824	2,816,824	2,811,509	2,744,379
Number of shares issued	563,364,823	563,364,823	563,364,823	562,301,801	548,875,708
Transactions and results for the fiscal year *(in € thousand):*					
Operating income	617,915	599,793	566,257	656,550	468,783
Income before taxes, depreciation amortization and impairment	256,086	295,026	112,816	486,613	636,097
Income tax expense	94,566	103,370	107,319	97,287	133,773
Income after taxes, depreciation amortization and impairment	314,498	513,840	343,600	468,647	(418,424)
Distributed income	461,714[(a)]	439,728	401,184	383,953	374,246
Earnings per share *(in euros):*					
Income after taxes, but before depreciation amortization and impairment	0.62	0.71	0.39	1.04	1.40
Income after taxes, depreciation amortization and impairment	0.56	0.91	0.61	0.83	(0.76)
Dividend per share	0.84	0.80	0.73	0.70	0.70
Personnel					
Number of employees	1,074	1,019	1,046	1,078[(b)]	605
Total payroll *(in € thousand)*	132,793	132,621	125,542	157,094	114,172
Total benefits (social security, benevolent works, etc.) *(in € thousand)*	58,385	63,283	66,045	58,478	41,819

(a) The total dividend distribution presented in the above table is calculated based on 563,364,823 shares outstanding as of December 31, 2017, less 13,704,835 treasury shares held as of this date and may change depending on movements in the number of shares conferring entitlement to dividends up to the ex-dividend date.

(b) The Group's reorganization, the average workforce of Veolia Environnement increased sharply in 2014 due to the integration of the Group registered office teams and expatriate staff within Veolia Environnement.

Other disclosures

Expenses not deductible for tax purposes

Pursuant to Article 223 *quater* of the French General Tax Code, expenses and charges referred to in Article 39-4 of the French General Tax Code totaled €860,955 (additional depreciation on passenger vehicles and excess Directors' fees).

Branches

Pursuant to Article L. 232-1 of the French Commercial Code, Veolia Environnement declares it had branches as of December 31, 2017.

Supplier and client settlement periods

Pursuant to Article D. 441-4 of the French Commercial Code, the following disclosures are provided for supplier and client payment periods:

- for suppliers, the number and amount of invoices received, not settled at the year end and past due; this amount is broken down by period past due and presented as a percentage of total purchases, including VAT, for the period;
- for clients, the number and amount of invoices issued, not settled at the year end and past due; this amount is broken down by period past due and presented as a percentage of total revenue, including VAT, for the period.

Invoices received and issued, not settled as of December 31, 2017 and past due

Article D. 441 1-1: invoices **received** not settled at the year end and past due

	0 days (information only)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
(A) Late payment period						
Number of invoices concerned	278					229
Total invoice amount concerned (incl. VAT) *(in € thousand)*	24,143	2,076	5,600	90	1,699	9,465
As a percentage of total purchases of the fiscal year (incl. VAT)	6.52%	0.56%	1.51%	0.02%	0.46%	2.56%
As a percentage of total revenue of the fiscal year (incl. VAT)						
(B) Invoices not included in (A) relating to receivables and payable in dispute or not recognized in the accounts						
Number of invoices excluded	541					
Total invoice amount excluded (incl. VAT) *(in € thousands)*	4,314					
(C) Reference payment periods applied (contractual or statutory period – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Payment periods applied to determine late payment	Generally, 45 days from the end of the invoice month and 30 days from the invoice date					

Article D. 441 1-2: invoices **issued** not settled at the year and and past due					
0 days (information only)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
116					436
22,841	(6,545)	1,984	(2,651)	11,301	4,089
4.40%	-1.26%	0.38%	-0.51%	2.18%	0.79%
26					
6,930					
Generally, 45 days from the end of the invoice month					

5

RISK FACTORS AND CONTROL AFR

Information from the Annual Financial Report is clearly identified in the table of contents by the pictogram AFR

As a major player in the development, preservation and renewal of resources through the diverse nature of its activities, sites and development, Veolia is exposed to various types of risk: human, financial, industrial and commercial (see Section 5.2 below).

The Group operates in constantly changing environments, potentially generating risks outside its control with an impact on Veolia's risk profile.

The main risks presented below and developed in Section 5.2 are those identified by Veolia, at the date of this Registration Document, as capable of materially impacting the Group's business activities, financial position or results or of generating a significant drop in the Company's share price. However, other risks not considered material or as yet unidentified could also impact the Group, its financial position, reputation, outlook or the Company's share price. Investors are therefore invited to closely consider the risks presented below before making their investment decision.

Scope	Risk	Section
5.2.1 Risks relating to the business environment in which the Group operates	Risks relating to changes in markets, technology and competition	5.2.1.1
	Risks relating to the retention of necessary licenses, permits and authorizations and regulatory changes regarding health, the environment, hygiene and safety	5.2.1.2
	Market risks	5.2.1.3
	Country risks	5.2.1.4
	Risks relating to natural disasters, climate change and seasonal factors	5.2.1.5
5.2.2 Risks relating to the Group's business operations	Risks relating to changes in the Group's business activities	5.2.2.1
	Risks relating to the security of persons, tangible and intangible property, securities and information systems	5.2.2.2
	Liquidity risks	5.2.2.3
	Risks related to human resource management	5.2.2.4
	Operational risks	5.2.2.5
	Legal, tax, contractual and commercial risks	5.2.2.6
	Risks relating to failure to comply with ethical rules and non-compliance	5.2.2.7

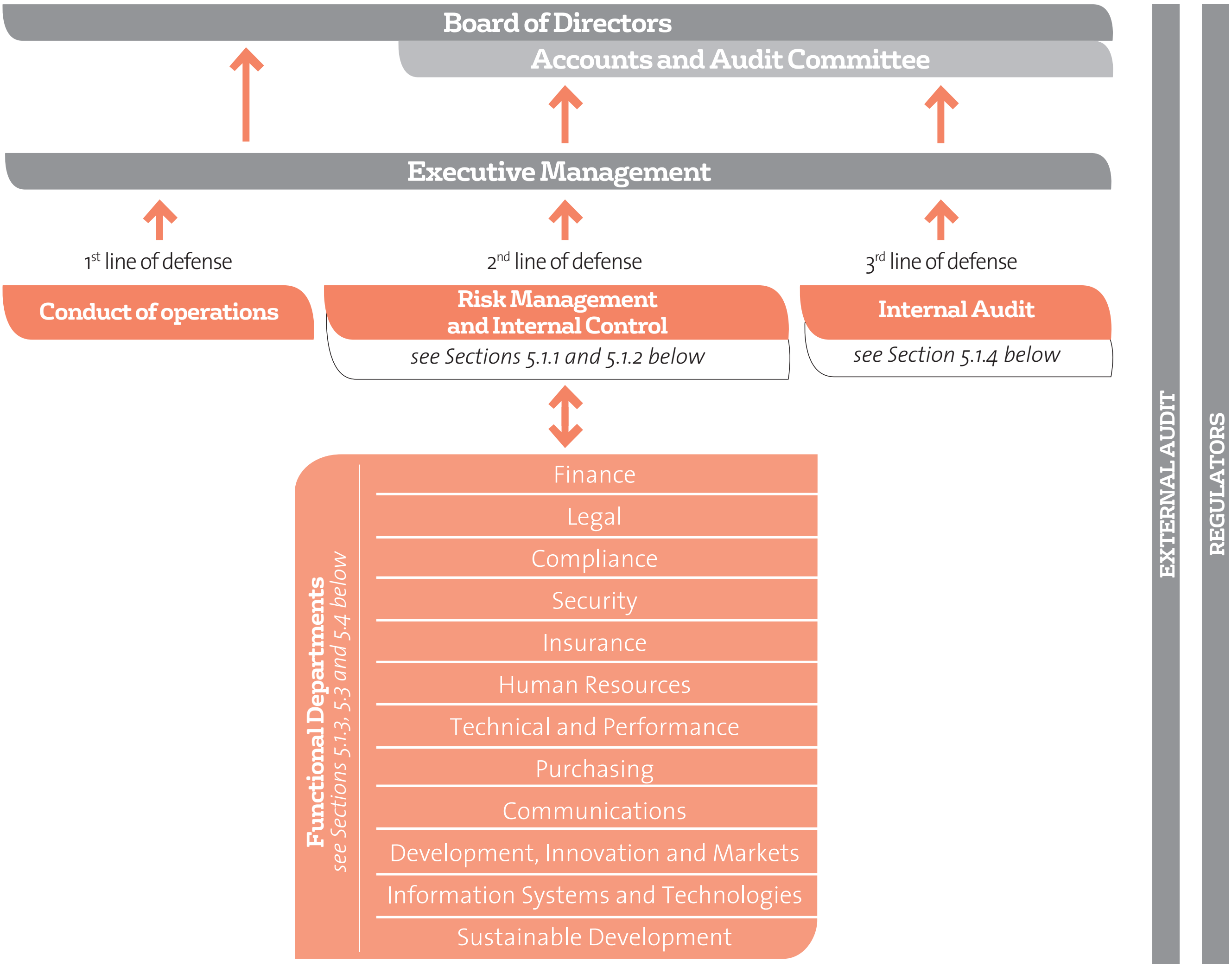
These risks are assessed within the Group in accordance with the three lines of defense model (see Section 5.1 below), through a coordinated risk management and internal control process (see Section 5.1.1 below) and internal audit (see Section 5.1.4 below). Special attention is also given to compliance with ethical rules, which are constantly strengthened within the Group and the roll-out of compliance programs (see Section 5.4 below).

In 2017, the Group identified four priority actions defined in line with its strategy:

- commercial performance efficiency;
- updating and strengthening anti-corruption compliance programs in view of regulatory changes (see Section 5.4 below);
- monitoring and management of commodity and energy prices;
- specific actions to strengthen information systems.

5.1 Risk management and internal control

The various parties involved in managing and controlling Group risks are presented below and can be illustrated using the three lines of defense model defined by *IFACI* (French Institute of Auditors and Internal Controllers).



Systems supervision	• **The Board of Directors** defines the composition, roles and operating methods of the Accounts and Audit Committee and approves the information required by Article L. 225-100-1 of the French Commercial Code and contained in the management report. • **The Accounts and Audit Committee** is notably responsible for monitoring the efficiency of the Company's risk management and internal control systems, in accordance with Article L. 823-19 of the French Commercial Code. • **The Executive Management** implements the Group's strategic direction and ensures the roll-out of risk management and internal control systems.
1st line of defense: conduct of operations	Consisting of operating managers, this first line of defense is responsible for assessing, preventing and controlling risks, notably by implementing an appropriate control system covering processes under the responsibility. They thereby operating managers control activities and operations on a daily basis, by implementing the most effective risk management practices at process level.
2nd line of defense: functional departments	The second line of defense consists of the functional departments (see Section 5.1.3 above) responsible for their areas of expertise and specialist departments that facilitate the risk control system (see Sections 5.1.1 and 5.1.2 below). Its goal is to structure and maintain the system controlling the organization's activities, particularly by: • assisting operating staff identify and assess the main risks within their scope of expertise; • proposing Group policies and procedures by area of activity; • contributing, with operating staff, to designing the most relevant controls; • developing exchanges on best practice, by observing and reporting on the effectiveness of processes.
3rd line of defense: internal audit	The independent internal audit function is certified since 2006 and reports to the highest level of the organization. This third line of defense provides the Company's Board of Directors and Executive Management with reasonable assurance, through a risk-based approach (See Section 5.1.4 below).

5.1.1 COORDINATED RISK MANAGEMENT SYSTEM

Objectives

Veolia builds long-lasting relationships with its clients based, in particular, on its ability to manage risks delegated by them. The Group responds to this challenge, which is of fundamental importance to its development, by setting up a coordinated risk prevention and management system.

The risk management system has the following objectives:

- **identify and anticipate:** ensure the constant oversight of the Group's major risks so that no risk is overlooked or underestimated, and anticipate changes in the nature or intensity of those risks;
- **organize:** ensure that the main identified risks are addressed by the organization at the most appropriate level within the Group. Numerous operational risks are managed at Business Unit level. Others, which require specific expertise or are of a primarily transversal or strategic nature, are handled directly at head office;
- **process:** ensure that the structure and resources employed are effective so as to control as best as possible the identified risks, in line with the Group's values and strategy;
- **raise awareness and inform:** the implementation of a coordinated risk management system is supported by campaigns to raise awareness about risk management among employees.These involve the disclosure of information on risks to the various financial and non-financial stakeholders.

Organization

Within the Risk and Insurance Department that reports to the Group's General Counsel, the Risk Department coordinates and serves as the entry point for the Group's strategic risks and facilitates the risk management system through its network of risk managers in the zones and Business Units.

Together with its network, the Risk Department has developed a common process designed to identify and prioritize events that may prevent the Group from reaching its objectives. It is founded on a common methodology and a Governance Risk and Control (GRC) digital tool used by the entire network, enabling the consolidation of major risks by zone and Business Unit.

The Group's risk mapping is updated each year based on these items.

The zones and Business Units have a risk mapping prepared in compliance with the main market benchmarks (notably COSO - Committee of Sponsorship Organizations of the Treadway Commission) and in accordance with ISO 31000 on risk management. The identified risks are assessed in terms of their impact and frequency, taking account of risk control measures. The "risk owners" are in charge of designing and implementing action plans in liaison with the risk managers for their geographic area and/or country and/or head office, so as to limit and manage risk exposure. The network of risk managers contributes to defining the corresponding actions plans and steering the overall process. It also plays an alert and coordination role for emerging risks.

The Group Chief Risk and Insurance Officer attends meetings of the Accounts and Audit Committee. In 2017, he twice presented a report on the work performed. The first presentation examined the general risk management system and the Group's updated risk mapping. The second presentation examined the Group's insurance policies and programs (see Section 5.3.2 below).

The Risk Committee is responsible for validating and monitoring the effectiveness of the action plans covering the major risks identified in the risk mapping. It ensures and supports the proper functioning of the risk management systems and may also decide on which risks are unacceptable within the context of the business. The Risk Committee brings together members of the Veolia Executive Committee, establishing a direct link between the Group's strategy and the risk management process. It is facilitated by the Chief Risk and Insurance Officer and chaired by the Group's General Counsel.

The Group Risk Committee meets to examine the Group's risk mapping and the action plans for mitigating these risks. Risk committees are formed in each geographic zone and/or country and meet to monitor and approve the risk mappings for their scope of activities and the implementation of the related action plans.

The Risk Department works with all functional departments and more particularly with:

- the Internal Control Coordination Department to link up the identified risks and Veolia's organizational rules, processes and principles, and propose changes where appropriate (see Section 5.1.2 below);
- the Internal Control Department, in charge of identifying, standardizing and improving the reliability of key processes that are transactional in nature (see Section 5.1.5 below);
- the Internal Audit Department to contribute to defining its annual audit program. In addition, the audits carried out serve to enhance the risk assessments conducted within the Group. By verifying the Company's key processes, the Internal Audit Department provides assurance that internal control and risk management procedures have been implemented and are effective. These procedures are regularly assessed within the Group by the Internal Audit Department in order to ensure that the Group has the appropriate risk management tools and processes: risk identification, implementation of action plans, updated risk mapping and deployment of the risk management function throughout the Group (see Section 5.1.4 below).

In 2017, the main actions put in place by the Risk Department and its network involved:

- identifying, assessing and ranking risks, based on the common methodology;
- continuing risk prevention and protection measures in the Business Units;
- continuing the work of the "emerging risks" committee;
- supporting Group business development through country risk and project risk analyses;
- performing risk appraisals and implementing resilience offerings for cities;
- monitoring and improving the digital tool implemented in 2015 for risks and action plans;
- assessing and monitoring analyses of specific risks: human rights (see Section 5.2.1.4 and Chapter 6, Section 6.1.3 below), risks relating to corruption and influence peddling and supplier risks (see Section 5.2.2.7 below).

5.1.2 COORDINATED INTERNAL CONTROL SYSTEM

Objectives

The main objective of the internal control system is to prevent and manage the risks arising from the Group's businesses, in particular the risks of errors or fraud. Like any control system, however, no absolute guarantee can be provided that these risks are completely eliminated.

The purposes of the internal control procedures in force within the Group are:

- to ensure that management acts fall within the framework defined by applicable laws and regulations, the corporate decision-making bodies and the Group's values, standards and rules, as well as the strategy and objectives defined by Executive Management;
- to ensure that the accounting, financial and management information communicated to the Company's corporate decision-making bodies fairly reflects the activity and position of the Company and the Group, by defining and guaranteeing the implementation of a high-performing control system covering the Group's processes through assisting all Business Units and entities.

Veolia's internal control conceptual framework is based on the fundamental principles defined by COSO. In addition, Veolia's internal control structure and procedures are not materially different from the principles set-out in the internal control reference framework or the application guidance recommendations published by the French Financial Markets Authority (AMF).

Organization

Internal control relies initially on the effective management of all of the Group's business processes, including non-finance related processes (commercial, technical, human resources, legal, communication, etc.). The Internal Audit Department then conducts a stringent review of the application of the Group's rules.

All aspects of internal control, especially financial and operational aspects, are vital to Veolia. The Group's ongoing objective is to maintain the right balance between the decentralization that is necessary for its activities, the highest level of operational and financial control, and the dissemination of expertise and best practices.

The steering and coordination of internal control is founded on these principles and organized as follows:

The Executive Committee steers and supervises the management of the system at Group level. In December 2016, it notably reviewed and validated progress with the work of the Internal Control Coordination Department and, in particular, the Book of fundamental principles and the main changes in the Group Norms and procedures. It also monitored the main changes in Group Norms in 2017.

The **Internal Control Coordination Department** is an integral part of the Risk and Insurance Department. Its main role is to facilitate and coordinate the implementation of standards and procedures in each functional department where necessary and ensure the overall consistency of the system.

To facilitate the appropriation by employees of Group Norms and procedures and make the Group's organization and operating principles more visible, the Internal Control Coordination Committee, with its network of officers in the functional departments, has implemented:

- a multi-lingual documentary database available on the intranet, containing all Group Norms and organized by activity sector and document type;
- an internal guide to Group fundamental principles summarizing the key processes and principles supporting the organization and operation of the Group. It is structured around 14 processes, with a description of the main players for each process, their duties and the key activities for the attainment of the associated objectives. Links to Group Norms and intranet pages provide more detailed information on the subjects.

In 2017, the Internal Control Coordination Department primarily concentrated on improving and developing these tools and promoting them internally.

The Internal Control Department reports to the Group Finance Department. Its primary role is to define, standardize and roll-out the process control framework covering the preparation of financial information and, more generally, all activities of a transactional nature.

To this end, the Internal Control Department and its network of internal controllers in the zones and Business Units ensure in particular:

- the organization of delegations of authority and signature and the application of the segregation of duties principle within their activity scope;
- the standardization and roll-out of key control activities covering financial transaction processes and processes for the production of financial and accounting information. A common process modeling tool was implemented and is shared by the network of internal controllers in the zones and Business Units. It enables a common framework of control processes and activities to be standardized and facilitates its breakdown and roll-out within the main Group entities;
- the structuring and coordination of the fraud prevention system. A "Warning and fraud reporting" internal Group procedure was implemented in 2015. A tool for reporting fraud exists within the Group since 2005 and enables, in particular, fraud patterns to be escalated and understood and the necessary protection measures to be implemented. Three major categories of fraud must be reported: misappropriation of assets, the communication of fraudulent information and other unethical behavior resulting in identified fraud causing loss to the Company;
- the monitoring of the implementation by the entities of internal control action plans defined following self-assessments or internal control assignments. Veolia has implemented a system to monitor the effectiveness of the internal control system based on the roll-out of an electronic application comprising self-assessment questionnaires and tests that enable the traceability of the controls performed. This self-assessment questionnaire covers around 70% of the Group's indicators and is supplemented by controls performed by the internal and external auditors. This work is managed by the Internal Audit Department and performed in conjunction with the relevant operations or Business Units managers and in close collaboration with the Statutory Auditors, under the supervision of the Veolia Environnement Accounts and Audit Committee. Based on the results of the self-assessment, the Internal Control Department asks the Business Units to draw-up actions plans to improve the internal control system. This analysis is based on the following criteria: potential impact on internal control and the level of dissemination (percentage of entities indicating a risk and verification of the materiality of the relevant entities where appropriate). The parent company and the companies consolidated in the Group's consolidated financial statements fall within the scope of the Internal Control Department.

In 2017, the Internal Control Department notably:

- strengthened employee training on fraud risks, with the introduction of an e-learning course for target populations;
- organized the monitoring of action plans aimed at improving the level of internal control by the Business Units. It rolled-out a dedicated tool within its network to monitor the actions plans implemented following the self-assessment questionnaires;
- developed internal control reviews consistent with the risk mapping and enabling the maturity of internal control within certain Business Units to be assessed, particularly for new entrants into the Group. These reviews were implemented with operating managers and concentrated on the extent to which the

control environment, financial cycles and certain operating cycles have been deployed. The ultimate goal of these control reviews is to constantly improve internal control procedures and the sharing of best practices within the network.

The two departments presented above, and their respective networks, contribute together to attaining the internal control objectives. They work closely with:

- the Risk Department, to ensure that control activities focus on identified risks;
- the Internal Audit Department, which regularly confirms the proper application of standards defined.

5.1.3 FUNCTIONAL DEPARTMENTS

Each functional department of the Group is responsible for its area of expertise and the functions that contribute to mitigating risks and controlling their activities and notably:

- defining standards and setting rules and principles applicable in its sector, in conjunction with the other departments concerned;
- assisting their networks with complex issues or issues common to several Business Units;
- encouraging the sharing of best practices and developing appropriate training programs where necessary;
- analyzing failings and the results of audits to improve existing processes.

5

Functional Department	Primary role
Finance Department	• protect the Group's assets; • implement a financial control framework for transactions and financial operations; • steer the Group's financial performance; • prepare the financial statements (see Section 5.1.5 *below*); • ensure compliance with prevailing tax regulations and legislation.
Legal Department	• serve clients; • control transactions; • protect the Group's employees and assets.
Compliance Department	• identify and prevent compliance risks; • control compliance with corresponding principles and procedures.
Security Department	• identify and prevent threats; • manage malicious acts against employees, tangible and intangible property, securities and information systems to help maintain the continuity of the Group's activities.
Insurance Department	• protect the Group against insurable risks by taking-out centralized insurance policies; • manage the various liability and property damage insurance policies protecting the Company, its agents, employees and assets; • steer the management of insured claims and Group prevention measures.
Human Resources Department	• manage and develop Veolia's human resources and social model to meet the needs of the activities; • accompany the Group's growth by guaranteeing constant improvement in prevention, health and safety.
Technical and Performance Department	• ensure technological development and the industrial scale-up of innovations; • provide operational support to entities and monitor Group performance.
Purchasing Department	• define and deploy purchasing strategies to reduce the Group's cost base.
Communications Department	• define, implement and steer the Group's overall communication strategy, ensure its consistency and monitor compliance in all geographies.
Development, Innovation and Markets Department	• contribute to the definition, steering and application of the growth strategy in accordance with historical business models and also through the emergence and communication of innovative solutions, technologies and business models.
Information Systems and Technologies Department	• accompany digital transformation, while rationalizing IT structures and operations to improve service quality and operating performance within the Group.
Sustainable Development Department	• define and facilitate the roll-out of Veolia's sustainable development commitments; • report and capitalize on the Group's CSR actions and performance; • contribute to multi-actor dialogue on environmental and societal issues.

5.1.4 INTERNAL AUDIT

The Internal Audit Department performs assignments throughout the entire Group, according to a charter and an annual program. It has a staff of 24. The Audit Director reports to the Chairman and Chief Executive Officer of Veolia Environnement. He attends meetings of the Accounts and Audit Committee and periodically presents to it an activity report summarizing audit assignments performed, the follow-up of recommendations as well as the annual audit program. Once annually, the Audit Director presents the results of the internal control self-assessment to the Accounts and Audit Committee. Action plans based on these results are presented by the Internal Control Department.

The objective of the Internal Audit Department is to assess risk management, control and corporate governance processes and to contribute to their improvement through a systematic and methodical approach. This approach covers all aspects of internal control and in particular the accuracy and integrity of financial information, the effectiveness and efficiency of operations, the protection of assets and compliance with laws, regulations and contracts.

The Internal Audit Department operates based on the following two key mechanisms:

- the implementation of an annual audit program approved by the Company's Accounts and Audit Committee;
- the guidance and oversight of the annual process of formal, in-depth self-assessment of internal control.

In the course of its assignments, the Internal Audit Department uses dedicated tools to prepare assignments upstream and to organize the assignments themselves, as well as to monitor recommendations after the audit.

The Internal Audit Department is certified by the French Audit and Internal Control Institute (*IFACI*) since 2006. This certification is based on international professional standards.

In 2017, the Internal Audit Department conducted around 50 assignments, in line with the volume indicated in the annual audit plan. These assignments concerned, in equal parts, internal control efficiency and the assessment of other risks and primarily risks relating to development, strategy, governance, information systems and operations. The department was also tasked with occasional assignments, primarily to investigate suspected or identified frauds during the year.

5.1.5 PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

Organization

The Group **Finance Department** is responsible for preparing the Group's forecast and actual consolidated financial statements and financial documentation, and for defining and implementing its accounting policies.

To this end, the Finance Department is supported by:

- the Zone Financial Supervision, that serves as a link between Zone Directors, the Group Finance Department, the Reporting, Analysis and Financial Planning Department and the Chief Financial Officers for each country (corresponding to the Business Units);
- the Reporting, Analysis and Financial Planning Department organized into four geographic areas and notably responsible for preparing the forecast and actual consolidated financial statements;
- the Internal Control and Finance Process and Business Support Departments that assist the Business Units with the implementation of Group financial processes;
- the Standard and Balance Sheet Valuation Department, that ensures the correct valuation in the Group's balance sheet of all transactions impacting the Company's assets.

In addition, the Group's Tax Department contributes to the definition of consistent procedures for the management of taxes within the Group. Organized by zone, it is responsible for applying tax procedures.

The Financing and Treasury Department, which reports to the Group's Finance Operations Department, helps set up management rules and procedures for arranging financing, managing cash surpluses and managing interest and foreign exchange rates within the Group.

The Development Department, which reports to the Group's Finance Operations Department, supervises mergers and acquisitions and oversees investments and major projects.

The Group's control structures are now realigned by Business Unit, country and zone. Several Group procedures have been revised and implemented at country level.

Specific procedures may be implemented in each subsidiary, particularly with respect to the activity or the breakdown of the Company's share ownership.

Procedures

In addition to the Group processes manual covering the preparation and processing of Group financial information, an instruction memorandum is sent by the Group's Financial Reporting Department to the Finance Departments of the Business Unites, entities and zones, prior to each accounts closing. It identifies all of the information necessary for preparing published financial documentation. It also sets out any new accounting regulations and texts and details their application procedures.

Upon receipt of the financial statements, review meetings are organized between the Group and Business Unit Finance Departments. Their purpose is to verify that the financial statements were prepared according to the rules, to understand changes in the main aggregates and indicators in relation to the previous accounting year and budget forecasts as well as to analyze the substantiation of the main balance sheet components. The Statutory Auditors also have access to the analyses performed by the Group Finance Department by attending review meetings at Group and operational level.

Entity CEOs and CFOs submit representation letters to Veolia Environnement's Executive Management attesting, in particular, to the accuracy of the financial and accounting information communicated to the Company and to compliance with prevailing laws and regulations.

In addition, A Code of Conduct for Financial Professionals was drawn-up by the Chief Financial Officer in November 2011. Under this Code, financial managers report to both functional and hierarchical management and the responsibility and autonomy of financial managers in the effective performance of their operational control function is formally reiterated. Since 2011, the roll-out of this system is supported by training to raise awareness among financial and operational managers of the risk of fraud.

5.1.6 DISCLOSURE COMMITTEE

The Disclosure Committee was set-up on December 11, 2002. Its meetings are chaired by the Chairman and Chief Executive Officer. In addition to the Chairman and Chief Executive Officer, the Disclosure Committee is comprised of certain members of the Company's Executive Committee, including the Chief Financial Officer, as well as the Group's main functional or operational managers.

According to its internal regulations, the main duties of the Disclosure Committee are to oversee the implementation of internal procedures for gathering and verifying information to be made public by the Company, define the procedures for preparing and drafting reports and communications, review information communicated and approve, in particular, the content of the Registration Document to be filed with the French Financial Markets Authority (AMF). The Disclosure Committee is assisted by a Proofreading Committee responsible for validating the draft Registration Document.

The Disclosure Committee met once in 2017 to review recent regulatory developments that could impact information intended for the market. It initiated the process of gathering information and drafting the annual reports for fiscal year 2017. The Proofreading Committee met in February 2018.

5

5.2 Risk factors

5.2.1 RISKS RELATING TO THE BUSINESS ENVIRONMENT IN WHICH THE GROUP OPERATES

5.2.1.1 Risks relating to changes in markets, technology and competition

Risk identification

Faced with structural changes in its markets and a highly competitive environment for its activities, the Group is moving forward with its efforts to transform its organization, cost structure, and business. The Group operates in a highly competitive environment, which may result in the non-renewal or loss of contracts, limit access to new contracts, or significantly reduce profitability levels on renewal.

Major international companies, niche companies and companies whose overheads or profitability requirements are lower than those of Veolia serve each of the markets in which the Group competes. Another potential source of contract non-renewal may stem from the desire of certain public authorities to resume the direct management of water-related or waste services (particularly under management contracts).

The Group develops new technologies and services or uses new information technologies in order to offer clients services that are comparable to or better than those proposed by its competitors. These developments may generate significant costs and/or not produce the anticipated results and may have an unfavorable impact on the Group's results.

Furthermore, the use of new information technologies by the Group's competitors or the development by them of better performing and more competitive technologies could reduce or eliminate the competitive advantage the Group enjoys through the use of its technologies, know-how and experience.

Risk management

The Group is required to carefully select the projects it pursues in traditional markets, propose innovative business models, and focus its business on more dynamic industrial markets and locations.

The Group must continue to transform its cost structure to gain a greater competitive edge over its competitors, while controlling the costs associated with its reorganization. The transformation of the Group's organization and its business has already enabled Veolia to leverage its competitive advantage in growth markets where its expertise sets it apart from its competitors and to become a growth partner for its industrial and municipal clients.

To accelerate the Group's growth strategy, the Innovation, Development and Markets Department launched a development plan covering the period 2016 to 2018. Veolia is therefore strengthening the transformation of its salesforce and implemented a strategic plan organized around priority markets identified by the Group and high added value service offerings (see Chapter 1, Section 1.2.1 above).

Veolia works with its clients to help them grow. Its goal is to provide cutting-edge tailored solutions to meet demands for the most complex problems, through offerings based on attractive business models (remuneration based on the performance of these solutions, innovative financing, etc.). Backed by a new sales and marketing approach, this strategy has been confirmed by recent Group successes with new energy performance contracts, integrated waste management offerings (collection, processing and recovery), and offerings aimed at optimizing resources in the water and wastewater treatment sectors as well as improving the client's operating performance.

The new sales and marketing approach is also founded on the creation of global partnerships and a network of key account managers, mass roll-out of high-potential offerings, and the development of innovative business models, closely coordinated with each geographic zone and operational teams.

To support these new service offerings, the Group continues to invest in Research and Innovation (see Chapter 1, Section 1.4 above). Research programs reflecting the Group's strategic focus are geared to addressing priority client issues and seek to enhance offerings based on the specific expertise and added value of the Group's operational teams.

5.2.1.2 Risks relating to the retention of necessary licenses, permits and authorizations and regulatory changes regarding health, the environment, hygiene and safety

Risk identification

Veolia has committed, and will continue to commit, the necessary means to comply with its environmental, health and safety obligations and to manage sanitary risks.

In particular, these rules concern water discharges, drinking water quality, waste processing, soil and ground water contamination, the quality of smoke fumes and gas emissions. While regulatory changes offer new market opportunities for the Group's businesses, they also generate a number of risks. In accordance with legal, regulatory and administrative requirements (see Chapter 1, Section 1.6 above), including specific precautionary and preventive measures, Veolia is required to incur expenditure or invest to bring facilities under its responsibility into compliance. If it has no investment responsibility, Veolia advises its clients to ensure they undertake the necessary compliance work themselves.

In addition, the risks facing the Group sometimes concern the condition of facilities on acquisition, the fact that the Group is not always responsible for the necessary investment, and clients' varying levels of awareness of such matters.

Failure by clients to meet their compliance obligations could be prejudicial to the Group as operator and adversely affect its reputation and growth capacity. Furthermore, regulatory bodies are authorized to initiate proceedings, which could lead to the suspension or cancellation of permits or authorizations held by the Group or injunctions to suspend or cease certain activities or services. These measures may be accompanied by fines and civil or criminal sanctions, which could have a significant negative impact on the Group's reputation, activities, financial position, results and outlook.

If Veolia is unable to recover this investment or expenditure through higher prices, its operations and profitability could be affected. Environmental laws and regulations are constantly being amended and tightened. These amendments can generate significant compliance expenditure or investment, which cannot always be anticipated, despite the observation systems implemented.

Risk management

The environment, health and safety are central concerns for Veolia. The Group is committed to providing full professional guarantees covering the quality of its products and services, as well as compliance with safety and environmental standards (especially relating to emissions in the air, water and soil).

Given the nature of Veolia's business, regulatory compliance measures for facilities and services mainly involve air pollution control (smoke from heat generation plants and waste incineration facilities, exhaust fumes from transportation vehicles and legionnaires disease), water quality management (in respect of wastewater treatment plants, drinking water networks and the disposal of wastewater), the protection of soils and biodiversity, and health and safety monitoring for staff.

In order to better manage its environmental risks, the Group has implemented an environmental management system which seeks to achieve continuous improvements in the environmental performance of all its Business Units. Moreover, in accordance with current standards and taking account of the recommendations of internal and external experts, Veolia implements control, maintenance and improvement measures either directly or in collaboration with clients when they assume responsibility for investments relating to the facilities. When Veolia designs new facilities, it strives to meet technical specifications that are sometimes more stringent than current prevailing standards. For older facilities, Veolia systematically carries out renovations or strongly recommends that owners do the same. At European level, the REACH, CLP (Classification, Labeling and Packaging) and Biocides regulations are monitored and applied in accordance with the relevant timelines.

5.2.1.3 Market risks

5.2.1.3.1 Interest rate and foreign exchange risks

Risk identification

The Group's operational and financial activities expose it to market risks. Interest rate and foreign exchange fluctuations can impact the Group's results. The Group companies hold assets, contract debts, earn income and incur expenses in a variety of currencies.

The Group presents its financial statements in euros and must translate certain of its assets, liabilities, income and expense items into euros at the applicable exchange rates. Consequently, fluctuations in the exchange rate of other foreign currencies against the euro can affect the value of these items in the financial statements, even if their intrinsic value is unchanged in the original currency. An increase in the value of the euro may therefore result in a decrease in the reported value, in euros, of the Company's investments held in foreign currencies. These fluctuations in interest rates may also affect Veolia's future growth and investment strategies since a rise in interest rates may force the Group to refinance acquisitions or investments at a higher cost.

Risk management

To avoid having to bear all of the risk, such as interest rate risk and foreign exchange risk, the Group implemented management guidelines covering these uncertainties to ensure better risk control. The Veolia Environnement Financing and Treasury Department is directly responsible for implementing and monitoring these hedges. It helps subsidiaries and their teams to identify and hedge exposure in different countries. This department relies notably on a cash management system designed to constantly monitor the principal liquidity indicators and all major financial instruments (interest rate/foreign exchange).

The Middle and Back Office teams in the Finance Department verify transactions and monitor limits, ensuring the security of transactions processed. Reports are produced daily, weekly and monthly, enabling the Company's Executive Management to stay abreast of market trends and their effect on the Group's liquidity (current and forecast), the value of the Group's derivative portfolio as well as the breakdown of hedging transactions and their impact on the proportion of Group debt at fixed and floating rates.

The interest rate risk management policy is decided centrally. The Group uses interest rate risk management tools available on the market, including interest rate swaps and options (see Chapter 4, Section 4.1, Note 8.3.1 to the consolidated financial statements above).

Foreign exchange risk is linked to the Group's international business conducted outside the euro area, which generates cash flows in numerous currencies. As both income and expenses are usually in the currency of the country where the Group conducts business, the Group's exposure to transaction exchange rate risk from service activities is low. This risk is systematically hedged when it is certain (using currency futures) and on a case-by-case basis when uncertain (using options, generally when tenders are submitted). To manage foreign exchange risk associated with debt and financial receivables in the balance sheet, the Group has implemented a policy that involves backing foreign currency-denominated financing by asset class (debts and receivables), with the aim of financing its subsidiaries in local currency. For more information regarding foreign exchange risk, see Chapter 4, Section 4.1, Note 8.3.1 to the consolidated financial statements above.

5.2.1.3.2 Counterparty risks

Risk identification

In the course of its activities, the Group is exposed to the risks of default by its counterparties (clients, suppliers, partners, intermediaries, banks, etc.). Counterparty risk is the risk that an entity is unable to respect its financial commitments (debt repayment, honoring a guarantee, offsetting under a derivative transaction, etc.).

Counterparty risk for subsidiaries is limited to local deposits, settlement and account keeping banking activities, signature commitments and the continuation of confirmed credit facilities obtained from banks. Veolia counterparty risk is mainly associated with cash investments and positive market values on derivatives. Management rules require cash surpluses to be invested with managers of monetary UCITS, and short-term notes and deposits in leading banks and financial institutions (banks or financial institutions with minimum credit ratings awarded by Moody's, Standard & Poor's or Fitch of A3/P3/F3 (short-term) and A2/A/A (long-term), unless an exception is justified). Counterparty risks on financial transactions are monitored constantly by the Group's middle office.

Risk management

The risk of counterparty default is assessed by changes in creditworthiness. As such, the Group distinguishes between the counterparty risk relating to its operating activities that generate trade receivables, and the counterparty risk relating to investment and hedging activities that give rise to bank borrowings.

For more information on the management of risks relating to changes in the creditworthiness of the Group's clients and its financial counterparties, see also Chapter 4, Section 4, Note 8.3.3 to the consolidated financial statements above.

5.2.1.3.3 Risks relating to volatility in the price of energy, commodities and consumables

Risk identification

Energy, commodity and consumable purchases represent a major operating expense for the Group's businesses, in particular diesel for waste collection, coal and gas for the supply of energy services, and electricity for water treatment and distribution. The Group is therefore exposed to fluctuations in their price.

Group contracts generally contain indexing mechanisms. However, these mechanisms do not always enable the resulting costs to be covered (existence of a time lag between price increases and the moment the Group is authorized to increase its prices to cover its additional costs or an inappropriate update formula given the cost structure, including taxes).

Any steady increase in purchase prices and/or taxes could, by increasing costs and reducing profitability, undermine the Group operations, insofar as it would be unable to increase its prices sufficiently to cover such additional costs.

In addition, sorting-recycling and trading businesses are particularly sensitive to fluctuations in the price of secondary raw materials (paper, ferrous and non-ferrous metal), and a significant long-term decline in the price of these secondary raw materials, potentially combined with the impact of the economic environment on volumes, could hinder the Group's operating performance.

Group activities also include the production of electricity in Germany, the United States, the United Kingdom and Central Europe. A significant portion of these sales concerns "unavoidable" energy production, co-generated with heat.

The Group is also exposed to price volatility in the electricity market and price changes imposed by the regulator, in countries where the price of electricity is regulated. A significant long-term decline in the market price of electricity in these countries could therefore impact the Group's operating performance.

Risk management

Most of the contracts entered into by the Company and its subsidiaries include clauses aimed at passing on any fluctuations in energy, consumables and secondary raw material prices to the Group's revenue sources, particularly by means of indexation formula. Furthermore, in certain countries and for certain energy sources, the supply of energy may be the subject of long-term supply contracts.

For more information on the management of risks inherent to fluctuations in the price of energy, commodities and consumables and, in particular, commodity derivatives, please see Chapter 4, Section 4.1, Note 8.3.1.3 to the consolidated financial statements above.

5.2.1.4 Country risks

Veolia generates over 69.4% of its revenue outside France, with activity mainly focused in Europe, the United States, Australia and China. The Group also conducts business in emerging countries.

In a complex and sometimes unstable international environment, risks relating to the conduct of business in certain countries may significantly impact Veolia's financial position and performance, and even its reputation and outlook. In particular, given the nature of Veolia's activities and the term of its contracts, Veolia's results can partially depend on external operating conditions, and any related changes, *i.e.* a country's geopolitical, economic, social or financial situation or its level of development, or its working and environmental conditions.

5.2.1.4.1 The Group's presence in certain countries can generate or exacerbate certain risks for businesses

Risk identification

The Group may be exposed to the political, economic or social instability of one or more countries, making it difficult to conduct business. In certain cases, this risk can be even greater for foreign companies subject to the nationalization or expropriation of private property. In certain countries, the Group can also be exposed to risks relating to a country's general business practices for companies, and particularly foreign companies, such as a risk of non-payment or slower payment of invoices, sometimes exacerbated by the lack of legal coercive measures, increased foreign exchange risk or restrictions on fund repatriation.

Other factors which may impact the Group's operating conditions in certain countries are the lack or limited level of development in the legal and social infrastructures required to conduct a business activity, administrative delays, a lack of visibility over future regulatory or tax measures, a lack of qualified labor, as well as foreign exchange control measures and other adverse measures or restrictions imposed by governments. The Group could also be faced with worsening local conditions due to the conduct of its specific activities.

The setting of public utility fees and their structure may depend on political decisions that could impede increases in fees over several years. These fees could therefore no longer cover service costs and provide a return for the Company or its subsidiaries. Major changes to regulations or inadequate regulatory enforcement, political opposition to the conduct of the Group's activities in public markets and local authority challenges to the application of contractual provisions could stop the Group from obtaining or renewing certain contracts.

Veolia could be faced with deterioration in the local economic, social or environmental conditions underpinning its activities, which could upset the economic balance of contracts mainly, due to a rise in unpaid household debts. The Group may also be unable to defend its rights before a court of law in certain countries, particularly emerging countries, should it come into conflict with their governments or other local public entities.

Risk management

The diversity of the Group's locations and its business portfolio mitigates its exposure to country risk.

To best protect against these risks, Veolia has notably set-up a country risk and opportunities unit within the Risk Department. The objectives of this unit are:

- to assess country risk, encompassing all uncertainties that could affect the conduct of the Company's operations and expected results;
- to analyze the development opportunities.

To meet these objectives, the unit has the following duties:

- assessment of country risk and opportunities: based on information gathered reflecting the Group's issues (country context indicators and assessments provided by external reference sources or, in certain cases, gathered directly from Group managers), the Risk Department team produces comparative topical maps as well as a country assessment (with rating and qualitative information). These analyses incorporate not only indicators relating to geopolitical, legal and economic factors but also social, safety, employment-related and environmental conditions;
- assessment of the Group's exposure to country risk: by collecting internal indicators (key performance indicators taken from Group reporting systems), for comparison with country-risk indicators;
- notifying managers and raising awareness: by distributing the various analyses produced and making information available on the Group's intranet.

This analysis is supplemented by the continuous monitoring and analysis of the international security context by the Group Security Department (See Section 5.2.2.2 below).

In addition, in 2017, the country risk and opportunities unit updated the risk mapping based on the country risk indicators in order to assess the Group's exposure, in its different countries, to external risks relating to human rights issues and the perception of 120 managers of the challenges in this area. This study identified and assessed the geographic zones the most exposed to human rights risks, analyzed the priority challenges and involved and raised the awareness of the zones and Business Units of this issue in order to implement actions plans consistent with the risk mapping. (see Chapter 6, Section 6.1.3 below).

5.2.1.4.2 The potential impacts of Brexit

Risk identification

The uncertainties surrounding the different implementation scenarios for the United Kingdom's exit from the European Union are substantial. In this uncertain context, meetings have been held in the United Kingdom/Ireland zone to:

- monitor changes in relations between the UK government and the EU;
- analyze and assess the potential impacts for the Group;
- draw-up specific actions plans to deal with the risks and continue to promote the development of the Group in the United Kingdom.

In this context, in the short-term the Group is mainly exposed to an increase in exchange rate volatility between the euro and the pound sterling which could impact the transactions performed in the United Kingdom as translated into euros in the consolidated financial statements. Nonetheless and with the exception of the exchange rate risk referred to above, the Group considers its exposure to this situation to be limited. The main mid- to long-term risks identified concern the UK governance policy, energy policy and regulation in the UK and production cost factors.

Risk management

As regards the potential impacts of Brexit, the Group's exposure to foreign exchange transaction risk is limited as of December 31, 2017, as the Group's activities are performed by subsidiaries operating in their own countries and their own currency. With regard to foreign exchange risk on assets, as it is the Group's policy to back net investments in a foreign operation with foreign-currency financing or foreign currency derivatives, the Group does not have a material foreign exchange position that could generate significant volatility in foreign exchange gains and losses. The working party set up is closely monitoring the dedicated action plans in order to limit these risks.

5.2.1.5 Risks relating to natural disasters, climate change and seasonal factors

The information presented in this section concerns the financial risks relating to the effects of climate change as referred to in Article L. 225-37 of the French Commercial Code.

5.2.1.5.1 Risks relating to natural disasters and climate change

Risk identification

Due to the geographic spread of its operations and sites, the Group could be exposed to natural disasters such as floods, earthquakes, extreme droughts, landslides, cyclones, tsunamis, etc. These external factors could impact:

- the operating performance of facilities;
- business continuity;
- the environmental footprint;
- the construction period for facilities;
- the cost of insurance coverage tied to the impact on capacity in the insurance and reinsurance market.

Very large-scale or recurring natural disasters can also lead to exceptional disruption in external infrastructures and roads, means of communication on which Veolia depends for the conduct of its business and may cause damage to the infrastructures for which it is responsible. Veolia could thus be temporarily unable to perform services under the terms and conditions of its contracts. Accordingly, despite the forward planning and protection measures implemented by the Group and the insurance policies subscribed, the occurrence of these exceptional events could impact the Group's results. Furthermore, the Group may be required to compensate the availability of the ressources to provide the solutions initially planned solutions (due to business disruption), with resources that cost more than forecast.

A natural disaster, climatic incident, or other exceptional event the extent of which is difficult to forecast may have a negative impact on the Group's activities and this despite third-party liability, property damage and business continuity insurance coverage of the Group's subsidiaries (see Section 5.3.3 below).

Risk management

The implementation of services essential to the activities of public authorities and industrial companies requires constant vigilance and anticipation: the management of risks delegated by clients, particularly with regards to climate change, is at the heart of Veolia's expertise.

Over and above regulatory requirements, Veolia proposes active management solutions for risks relating to natural disasters and climate change through:

- the implementation of prevention and control measures for its facilities;
- the incorporation of climate change issues at sites operated;
- the introduction of solutions to assist clients reduce their vulnerability.

The risk relating to natural disasters is mitigated by: (i) the choice of a site's location in order to limit exposure, (ii) analyses of the various scenarios to enable the implementation of tailored prevention plans and (iii) the development of business continuity plans. Site audits and insurance coverage completes management measures for this type of risk.

5.2.1.5.2 Risks relating to climatic conditions impacting the Group's results and seasonal factors

Risk identification

Climate change impacts trends in the frequency, seriousness and impact of climatic conditions on the Group's activities and notably access conditions to resources (exceptionally high or low rainfall, floods, etc.), changes in domestic water consumption and changes in energy volumes during mild winters. While the solutions proposed by Veolia highlight the circular economy, the impact of the climate on the scarcity of resources can have consequences on the cost of accessing resources. The Energy business generates most of its earnings in the first and fourth quarters of the year, when heating is used in Europe, while in the Water business, household water consumption tends to be higher between May and September in the northern hemisphere. Accordingly, these two businesses and therefore the Group's earnings may be impacted by significant deviations from seasonal weather patterns.

Thus, climate variability from one year to the next may have an impact on the operating results of certain Group businesses.

Risk management

The Group's global footprint and the diversity of the geographies and climates where it operates, limits the impact of risks relating to seasonal factors on Veolia's results.

In addition, the Group provides cutting-edge solutions to the most complex issues encountered by clients and offering founded on attractive business models such as performance-based payment terms, to mitigate the risks relating to seasonal factors.

5.2.1.5.3 Risks relating to the European Union emissions trading scheme (EU ETS)

Risk identification

As a combustion plant operator, the Group is exposed to the risks inherent to the Emissions Trading Scheme (EU ETS) introduced by the European Union in 2005 (see Chapter 1, Section 1.6 above). The implementation of Phase III of this scheme, covering the period from 2013 to 2020, mainly consists in phasing out, from January 1, 2013, the free allocation of emission allowances for electricity production (with exemptions for certain central European countries) and significantly reducing free allocations for heat generation. The overall objective is to achieve a 20% reduction in greenhouse gas emissions by 2020 (compared with 1990 levels). As a result, the Energy businesses saw a 45% decrease in their emission allowances compared with the period 2013-2017 and must now purchase a portion of the allowances necessary for the production of electricity and heat.

In this context, Veolia's risk derives from two sources: firstly, the Group may produce higher levels of emissions than anticipated, either for technical or business reasons, which would require it to incur additional expenses, and secondly, the Group may not be able to fully pass on the additional cost of purchasing allowances in its pricing formula.

Risk management

Veolia was very quick to adopt an active strategy in order to manage its greenhouse gas emissions and allowances, by implementing an appropriate structure and creating a special-purpose legal entity to purchase, sell and price different types of greenhouse gas allowances. In addition, through its Energy businesses, the Group allocates a significant share of its investment each year to reducing greenhouse gas emissions.

In particular, these investments are designed to modernize the Group's plants, which today are mostly either gas-fired or coal-fired, by transitioning to facilities using biomass or combining coal and biomass so as to increase energy recovery and encourage reduced consumption. Deeply committed to combating climate change, Veolia develops resource use models that are more restrained and efficient and primarily founded on the principles of the circular economy. The Group also supports measures favoring the large-scale development of a low-carbon and resilient economy based on a CO_2 polluter-payer and subsidized clean-up principle; *i.e.* the setting and application of a robust and predictable carbon price.

Furthermore, the Group seeks to tackle greenhouse gas emissions with a short lifespan and a high global warming potential, such as methane. Lastly, Veolia makes every effort to negotiate pricing schemes with its clients that enable it to recover its entire production costs, including the purchase at market price of greenhouse gas emission allowances (see Chapter 4, Section 4.1, Note 8.3.1.3 to the consolidated financial statements above).

5.2.2 RISKS RELATING TO THE GROUP'S BUSINESS OPERATIONS

5.2.2.1 Risks relating to changes in the Group's business activities

Risk identification

Risks relating to the Group strategic plan

The transformation plan implemented by Veolia between 2011 and 2015 enabled it to refocus on its most buoyant markets (in terms of location and economic sector), implement a more integrated and efficient structure and improve margins. On December 14, 2015, the Group presented its strategic plan for 2016-2018 founded on two pillars: a progressive return to revenue growth and ongoing improvements in operating efficiency.

Due to external factors, it may take longer than scheduled to implement this plan and implementation costs could be higher than forecast.

Risks relating to changes in the scope of the Group's business activities

Veolia carries out financial transactions impacting its business scope, whose impact on business and earnings could be less favorable than expected or detrimental to its financial position. The divestitures and growth transactions presented below represent major changes in the Group scope and are presented for illustrative purposes. Changes in the scope of the Group's business activities are presented in Chapter 3, Section 3.1.2 above.

Risks relating to divestitures

On December 21, 2016, Caisse des Dépôts and Veolia Environnement finalized an agreement on Veolia's withdrawal from Transdev Group. Under this agreement, Veolia immediately sold 20% of the Transdev share capital to Caisse des dépôts and received a call option over its 30% residual interest, available for exercise from December 21, 2018. The Group's withdrawal from Transdev will therefore be completed in early 2019 at the latest. Veolia did not perform any material divestitures in 2017.

Risks relating to growth transactions

Veolia did not perform any material acquisitions in 2017, but did perform a number of small and medium-sized acquisitions.

Veolia may continue to carry out external growth operations, in any legal form whatsoever, particularly by means of business or company acquisitions, or mergers of varying size, some of which could, once again, be significant at Group level. These external growth operations generate numerous risks, such as:

- macroeconomic conditions may change between the date of valuation and the date of integration;
- the business plan assumptions supporting the valuations may not be confirmed, in particular with respect to synergies and expected commercial demand;
- Veolia may fail to successfully integrate the acquired or merged companies and their technologies, products and personnel;
- Veolia may fail to retain key employees, clients and suppliers of the companies acquired;
- Veolia may be required or wish to terminate pre-existing contractual relationships under costly or detrimental financial terms and conditions;
- Veolia may be forced to sell off businesses or limit the growth of certain businesses so as to obtain the necessary authorizations for carrying out these operations, particularly with regard to antitrust legislation.

As a result, the expected benefits of completed or future acquisitions or other external growth operations may not be realized within the time periods or to the extent anticipated, or may impact the Group's financial position.

Risk management

Projects for organic growth, acquisitions and divestitures studied by the Group bring together multi-disciplinary teams to ensure that all aspects of these projects are assessed and analyzed. They are also subject to review and approval by the Commitment Committees. There are three complementary committee levels: Business Unit, zone and Group. By implementing a strict investment control policy, Veolia is extremely selective in its strategic growth choices. Projects involving either internal growth transactions or company acquisitions are subject to systematic, comprehensive review (strategic, technical, operational, financial, legal, human resources, etc.) in which all risks are examined and assessed. Financial profitability and minimum return criteria, widely known and used throughout Veolia, are applied. Expected returns are naturally considered in relation to the risks incurred.

5.2.2.2 Risks relating to the security of persons, tangible and intangible property, securities and information systems

Risk identification

The protection of the Group's employees, activities and resources is subject to extremely strict constraints and particularly regulatory constraints, which could expose a Group company to liability. Given the nature of the Group's activities and its geographic spread, its employees, tangible and intangible property, securities and information systems could be the target of malicious or terrorist acts.

For example:

- the drinking water sector is an activity of vital importance with major public health considerations;
- energy services and waste management solutions as well as the industrial facilities managed by the Group could be the target of malicious act;

- Veolia employees work or travel in countries where the political, geopolitical or social climate can expose them to criminal, malicious or terrorist acts or violent situations;
- Information systems are indispensable tools for carrying out the Group's operational activities and managing its functional departments (Finance, Human Resources, etc.). Information system downtime resulting from a disaster or a malicious act involving one or more of these information systems could have major consequences for the quality or even the continuity of the service delivered and for the availability, integrity and confidential and strategic nature of the Group's data, and could thus potentially have an impact on the activity of its clients.

The deterioration in international security and the multiplication of information and media-based attacks (facilitated by new information and communication technologies such as social networking) compound the risks relating to the security of persons, property, securities and IT systems.

As a result, despite the numerous preventive and safety measures implemented by the Group and the insurance policies subscribed, the occurrence of such acts cannot be excluded and could adversely affect the Company's ability to continue its activities, as well as its reputation, financial position or results.

Risk management

Due to the nature of its businesses and the scope and diversity of its sites, the Group pays close attention to security issues.

The Chief Security Officer reports to the Chairman and Chief Executive Officer and the Security Department reports functionally to the Group's General Counsel. It is tasked with identifying, preventing and managing risks relating to the security of persons, property, securities and IT systems. The Security Department is also responsible for coordinating warning and crisis management systems. A network of security officers has been set-up in all countries where the Group operates, in order to tailor the management of these risks to specific local conditions.

The primary roles of this department are to avert security threats potentially affecting the Group and its employees and to manage violations possibly impacting employees, tangible and intangible property and securities of the Group in France and abroad. It provides advice and assistance to country managers on security-related issues within the framework of current laws and regulations and is also responsible for coordinating the warning and crisis management systems.

The organization of crisis management at Veolia revolves around two separate but complementary arrangements that come together to deal rapidly and efficiently with any deteriorated or critical situation that the Company or its entities may encounter. The process begins with a warning system that operates 24 hours a day and is deployed across all the Group's locations, designed to move information quickly up the line to the Company's Executive Management on any critical or delicate situation. This process has been updated, primarily to take account of changes in the Group's organizational structure. The warning system is supplemented by a crisis management procedure, and, if the situation is sufficiently critical, operational cells can then be quickly mobilized, bringing together all the necessary functional skills and the departments concerned. Predetermined objective criteria are used to assess the seriousness of the situation. This process is constantly refined on the basis of feedback on and post-crisis evaluations of each of the situations that have been managed.

International security: travel authorization procedure and protection plans

In order to anticipate and guard against international security risks, the Security Department constantly monitors and analyses the international security context in each of the high-risk countries where the Group operates. A classification of high-risk areas is prepared each month and distributed throughout the Group. A travel authorization procedure has also been implemented for high-risk countries. This procedure involves the case-by-case examination by the Security Department of all travel requests to those countries considered as presenting the highest levels of risk. Each travel authorization is accompanied by specific security guidelines tailored to the risks associated with the country or countries in question and the traveler's profile. In 2017, more than 2,800 travel authorizations were submitted to the Security Department.

The Group developed a mandatory e-learning module for any employees due to travel to high-risk countries in order to deliver specific training to employees and inform them about security risks as well as prevention and protection rules and behavior to be observed during travel to these countries. In addition, a specific training module was developed for extended trips and expatriates. Group training sessions can also be provided in line with the specific needs of teams.

Security plans are drawn-up for the most sensitive countries where the Group operates, to facilitate the reactivity of the Group in the event of a crisis. In addition, a security officer has been identified in each of these countries. This individual acts as the Security Department's local representative and is the preferred point of contact for the country's diplomatic authorities.

Information systems security

An information systems security organization (ISS, cybersecurity) was set up in 2013 and updated at the beginning of 2016. Managed by the Information Systems Security Officer (ISSO), a member of the Group Security Department and in conjunction with the Group Chief Information Systems Officer, the ISS is supported by a network of local officers spanning all countries where the Group operates.

At Group level, the cybersecurity steering committee validates and monitors the implementation of the cybersecurity policy. It meets once monthly, chaired by the Group's General Counsel and brings together the Chief Financial Officer, the Chief Risk and Insurance Officer, the Technical Vice-President, the Chief Security Officer, the Chief Information Systems Officer and the Information Systems Security Officer. The General Counsel reports regularly to the Group Executive Committee and the Accounts and Audit Committee on any changes in risks and the measures taken.

The Information Systems Security Policy (ISSP) was launched in 2013 and is reviewed annually, with the most recent review completed in September 2017. The ISSP defines the objectives, missions and organization of Information Systems Security (ISS), details the approach based on specific Veolia risks and describes the cybersecurity mechanisms designed to limit the occurrence or impact of cyber risks within Veolia.

These concern:

- data protection;
- the management of IT system users;
- the protection of IT infrastructure;
- the protection of IT applications;
- specific recommendations for industrial systems;
- IT continuity plans and incident and cyber crisis management;
- audits and control measures and the corresponding operating reports.

The ISSP is implemented in all Veolia entities under the oversight of the Information Systems Security Officer. Audits are performed in the main entities and on the most exposed systems to control application and the resulting actions plans are presented to and monitored by the cybersecurity steering committee.

Promoting user awareness is also an important line of action for the ISSP. This is carried out by means of IT charters, distributing information on best information cybersecurity practices and specific actions targeting the various communities exposed to specific risks such as accountants, CFOs, treasury managers etc.

5.2.2.3 Liquidity risk

Risk identification

Liquidity risk corresponds to the Group's ability to have enough financial resources to meet its commitments. The Company's gross liquidity is defined as all available cash and confirmed bank lines. Net liquidity corresponds to gross liquidity less current financing requirements. The Group could be exposed to liquidity risk and not have sufficient financial resources to meet its contractual commitments.

Risk management

The operational management of liquidity and financing is managed by the Financing and Treasury Department. Major financing and cash surpluses are pooled in a bid to optimize liquidity and cash.

Veolia Environnement has short-and medium-term bilateral credit lines (for a total amount of €925 million) and a multi-currency syndicated loan facility maturing in 2022 (of €3 billion), enabling a reduction in its exposure to liquidity risk (see Chapter 3, Section 3.3.5.2 above).

The Group secures financing on international bond markets, international private placement markets and through commercial paper and bank loans (see Section 5.2.1.3 above and Chapter 4, Note 8.3.2 of the consolidated financial statements above).

5.2.2.4 Risks related to human resource management

5.2.2.4.1 Risks relating to employee health and safety

Risk identification

The prevention of health and safety risk in the workplace is an ongoing priority for Veolia across all its operations. Veolia is committed to ensuring the physical and psychological integrity of its employees.

The management of employee health and safety is particularly important, considering the labor-intensive requirements of the Group's businesses, their nature, the wide geographic spread of Veolia's employees in the field (in particular, on public roads and at client sites), as well as difficult working conditions. Despite the Group's particular focus on this issue (see Chapter 6, Section 6.4 below), an increase in injury frequency and severity rates and a surge in occupational diseases remains a risk.

Risk management

Given the nature of its operations and aware that solid performance in workplace health and safety is synonymous with increased performance for the Company, Veolia has made prevention, health and safety a daily priority in all its activities.

Prevention, health and safety is the focus of heightened and continuous commitments and efforts. The approach to professional risk prevention is based on the involvement of all managerial levels as well as a continuous improvement system allowing the Company to honor its commitments, achieve its objectives and implement the ideas enshrined in the prevention, health and safety in the workplace policy. Executive Management committed to this policy in 2015.

Veolia also asks suppliers to take the necessary steps to guarantee the health, safety and well-being of their employees.

Implementation of Veolia's prevention, health and safety management system provides for the effective management of health and safety issues across all of the Group's entities. This system is founded on five pillars presented in Chapter 6, Section 6.4.2.1 below. The cross-functional coordination of the Group's prevention, health and safety policy led to the set-up of a center of excellence devoted to these areas, which prepares, coordinates and assesses the performance of relevant operational and forward-looking projects (see Chapter 6, Section 6.4.2.1 below). In addition, efforts to increase European trade union involvement in the Group's prevention, health and safety policy are supported by a "Letter of Commitment" signed by management and employee representatives in 2012. This commitment ensures the consistency of field initiatives in each European country where Veolia operates. The structural themes of this joint commitment include systematic accident analysis, reinforcement of prevention in occupational health and improved communication with employees on health and safety topics. Finally, the quarterly monitoring of "near-misses" has been rolled out across all entities, enabling entity performance to be monitored and corrective measures to be implemented.

5.2.2.4.2 Risks relating to skills availability

Risk identification

The Group conducts a range of businesses, requiring a variety of constantly changing skills. These changes and the Group's growth outside France demand new knowhow and employee mobility. Accordingly, the need to constantly seek out new profiles and train staff in new techniques exposes the Group to risk if it is unable to harness in a timely manner the skills required at all its locations.

Risk management

Given the aging of the working population and the rapid development of technologies and working methods, Veolia has enhanced its forecasting capabilities with regard to skills management. The agreement signed in France on forward management of jobs and skills (GPEC in French) supplemented the provisions of the 2004 agreement on the "development of skills and vocational training". Through this new agreement, Veolia focuses on anticipating changes in its businesses in line with the Group's transformation, supporting and encouraging career development and offering the right training solutions. In addition, the Human Resources Development Department defines and promotes policies on mobility and career management, as well as sourcing and managing talent across all of the Group's operations. Finally, this skills management is made operational through the work of the campuses, which propose a diverse offering that is constantly adapted to the Group businesses (for further details on the training policy see Chapter 6, Section 6.4.3 below). The Group's considerable efforts in the area of managerial development (identification and training of senior managers, roll-out of the manager's Code of conduct, and manager commitment survey), and commitments undertaken with respect to gender mix and internationalization serve to strengthen the loyalty and professionalism of Group managers (see Chapter 6, Section 6.4.4 below).

5.2.2.4.3 Risks relating to the deterioration of labor relations

Risk identification

Group company labor relations could deteriorate, thereby hindering productivity and the Group's performance. The Group cannot rule out the occurrence of labor disputes (strikes, slowdowns, blocking access to sites or the destruction of property in extreme cases) that could disrupt business over a significant period of time.

Risk management

Veolia has set itself the challenge of making labor relations one of the major factors of cohesion and economic and social performance. Veolia's labor relations model aims first and foremost to create and maintain a relationship built on trust with its employees and their representatives *via* a policy focusing on fair and consistent compensation, promotion within the Company, training, career and skills management that facilitates job progression and *via* constant enhancement of its health, safety and accident prevention policy.

The Group has formalized these commitments in Group agreements signed with all representative trade unions:

- an agreement on health, safety and accident prevention signed in December 2008;
- a letter of commitment signed by Executive Management and the Group's European Works Council on prevention, health and safety.
- an agreement on the quality and the development of labor relations signed in 2010;
- an agreement on the Group's strategic directions and their social impacts signed in 2015 and an agreement on the forward management of jobs and skills (GPEC) signed in 2016.

These agreements are fleshed out and supplemented by over 900 local collective bargaining agreements signed by the Group's entities around the world. The two agreements appointing the Group French and European Works Councils were amended in 2015 to take into account the change in the Group's scope and the experience gained from the previous agreement in order to bolster and modernize labor-management relations in France and in Europe. Since 2011, the European Works Council has initiated exchanges with Veolia's management on sustainable development and CSR. In this respect, CSR performance indicators were developed in 2016 with the European Works Council. (see Chapter 6, Section 6.4.4.2 below). In February 2010, the Group signed an agreement on the quality and the development of relations with all trade unions representing employees, with a view to improving labor relations. Action and training plans are defined with stakeholders in labor relations and have been implemented since 2011.

In 2015, an agreement on procedures for exchanging views on strategic directions within employee representation bodies was signed by representatives of the Group French and European Works Councils. Developing and structuring communications with employees is all the more crucial in this period of transformation, as it strengthens cohesion across the Group and ensures that the Group's employer and social responsibility commitments are upheld in a difficult economic context. Supporting employees during this change underlines the Group's desire to ensure their employability and promote internal mobility (see Chapter 6, Section 6.4.3 below). This commitment resulted in the signature of a Group-wide agreement on the forward management of jobs and skills in 2016.

As part of its sustainable development commitments (commitment no. 9, see Chapter 6, Section 6.1.1 and 6.4.4.2 below) the Group monitors the rate of coverage of Group employees by a social dialogue organization, as well as the number of agreements within the Group and the issues covered.

5.2.2.5 Operational risks

5.2.2.5.1 Third-party liability risks and particularly health and environmental risks in respect of past and present activities

Risk identification

The increase in legislative, regulatory and administrative requirements exposes the Group to an ever increasing risk of liability, particularly in environmental matters, including liability related to assets that Veolia no longer owns and business activities that have been discontinued.

In addition, the Group may be required to pay fines, repair damage or undertake improvement work, even when it has conducted its business activities with care and in full compliance with operating permits. Some of Veolia's activities could cause harm to people (sickness, injury or death), interruption to business or damage to the environment (including biodiversity), movable property or real estate.

However, these precautions may prove to be insufficient. In addition, under environmental services outsourcing contracts, the Group's subsidiaries conduct activities at certain environmentally sensitive sites known as high or low threshold Seveso sites (section 4000 of the French "Installations Classified for the Protection of the Environment" (ICPE) system) or the foreign equivalent, operated by industrial clients (particularly petrochemical industry sites). In these instances, service management requires even greater care due to the more dangerous nature of the products, waste, effluents and emissions to be treated, as well as the close proximity of installations managed by the Group to client sites. The regulatory regime governing Seveso facilities applies only within the European Union, but the Group operates several similar sites outside of this region that are subject to the same level of stringent regulation.

(see Chapter 1, Section 1.6 above and Chapter 4, Section 4.1, Note 10 to the consolidated financial statements.)

Risk management

It is the Group's general policy to contractually limit its liability, implement the necessary prevention and protection measures, and to take out insurance policies that cover its main accident and operational risks (see Section 5.3.2 below).

Faced with the risk of being held jointly liable with its clients in the event of serious contamination or accidents, the Group strives to satisfy its own obligations while helping to ensure that clients do the same. At operating sites (waste treatment centers, landfill sites, incineration facilities, heat generation plants, drinking water production facilities, wastewater treatment plants, etc.), an analysis of the various industrial accident scenarios is regularly performed enabling appropriate prevention plans to be established and a business continuity plan to be developed. Given the nature and potential seriousness of all of the risks mentioned above, the Group has implemented three principal types of actions to help control and manage these risks:

- the prevention of accidents that may damage property and as a consequence cause harm to people or the environment necessitates the implementation of procedures aimed at ensuring the compliance of installations and monitoring their operation and also ensuring improved risk management; the environmental management strategy is one of the cornerstones of this approach, particularly through validation by external certification (ISO 14001, sector guidance, etc.)
- internal and external audits are conducted regularly to identify and prevent industrial risks (fire, machine breakdown, environmental damage, etc.);
- the Group has purchased insurance covering public liability and liability resulting from unavoidable or accidental pollution and has also taken out material damage policies (see Section 5.3.3 below).

All of these actions are implemented by the Group's Business Units in coordination with the Legal, Technology and Performance, Sustainable Development and Insurance Departments. The activities also benefit from the support of the Research and Innovation Department, alongside the Legal Departments and Veolia Environnement's office in Brussels, which monitors changes in regulation. In its Water, Waste and Energy business lines, when the Group provides services at a "Seveso" facility or its foreign equivalent, it actively participates in the implementation of health and safety measures at these sites. The application of more stringent regulatory standards for these sites requires Group employees to undergo specialized training, attend health and safety committee meetings at industrial clients' sites and comply with the Major Accident Prevention Policies (MAPP) implemented by its clients. Seveso facilities are also subject to specific internal control measures that seek to prevent accidents and protect employees, the public and the environment. In addition to MAPPs, Internal Operational Plans (IOP) also apply to these facilities, as well as crisis intervention measures coordinated with public authorities in the event of an incident (Emergency Response Plan, ERP). Based on its desire to apply safety protection rules and in anticipation of regulatory changes under consideration, the Group applies all or part of the Seveso regime at certain sites.

5.2.2.5.2 Risks relating to major project design and construction activities

Risk identification

The Group carries out, particularly through Veolia Water Technologies, turnkey design-build contracts, which are remunerated on a non-revisable fixed-price basis. Earnings are often conditional on meeting performance objectives, and failure to achieve these objectives triggers penalties. The risks to which the Group is exposed under this type of contract are generally technical (design and choice of appropriate, proven technology), operational (site management during the performance, acceptance and warranty phases or ability to use technology, potentially imposed by the client) and economic (volatility of commodity prices, foreign exchange rates or consumables).

These risks are generally covered by contract. Veolia may, however, encounter difficulties over which it has no control, *e.g.* relating to the complexity of certain infrastructures, climate or economic risks or uncertainties in construction, the purchasing and ordering of equipment and supplies of consumables, or changes in performance schedules for certain contracts. In certain cases also, the Company must integrate existing information or studies provided by the client that may prove inaccurate or inconsistent, or may be required to use existing infrastructures with poorly adapted operating characteristics.

These difficulties and hazards may result in non-compliance with contractual performance measures, additional expense, lost revenue and/or the application of contractual penalties that could negatively affect the Group's financial position, results or outlook.

In addition, the Company and its subsidiaries generally make use of sub-contractors and suppliers in the performance of their contracts. While these subcontractors and suppliers are subject to a selection process and credit review, their failure could generate delays and significant additional costs without the ability to recover all costs incurred.

Risk management

Veolia implements preventive and project monitoring actions to mitigate risks relating to major project design and construction activities.

The set-up of Commitment Committees allows the Group to ensure that all aspects of these projects are assessed and analyzed. Systematic, multi-disciplinary reviews (strategic, technical, operational, financial, legal, human resources, etc.) study and assess all of these risks. Close attention is paid to the selection and monitoring of clients and partners.

The professionalism and appropriate size of implementation teams and the experience and involvement of managers, also ensures the monitoring of the main operational risks. In addition, training programs for project managers and developers raise awareness of the importance of risk management in projects.

The implementation of contractual review and prevention measures mitigates part of these risks, through, for example, compensation mechanisms. Insurance policies compensate insured claims and also help improve prevention.

Certain projects are audited to verify that financial commitments are met, identify the main risks and contractual commitments, draft recommendations to improve performance and take account of feedback.

5.2.2.5.3 Risks relating to competition and authorization procedures for the conduct of certain activities

Risk identification

In order to conduct its activities, Veolia is generally required to win a contract and sometimes to obtain, or renew, various permits or authorizations issued by regulatory authorities. Competition and/or negotiation procedures are often long, costly and complex, with outcomes that are difficult to foresee. This is also the case for authorization procedures for activities with a significant environmental footprint, which are often preceded by increasingly complex studies and public inquiries.

The Group may invest significant resources in a project or tender bid without obtaining the right to perform the planned activity or receiving sufficient compensation to cover the cost of its investment. Failure to obtain or late receipt of permits and authorizations or the renewal, challenges to or significant tightening of conditions attached to permits and authorities, could have a negative impact on the Group's business, financial positions, results and growth perspectives.

Risk management

Resources are committed to studying the permits and authorizations necessary to conduct of certain activities. The balance between investment allocated to such studies, their complexity and their duration enables the risks to which the Group is exposed to be measured and the risk level to be assessed in order to cover investment costs.

5.2.2.5.4 Emerging health and environmental risks

Risk identification

Risks may be undetectable, at a given time, because they are not completely identified due to the absence or lack of scientific data. Adverse effects could occur several years after the materialization of these risks.

Risk management

Believing that mere compliance with regulatory requirements is not sufficient to ensure adequate control of health and environmental risks, Veolia has also voluntarily implemented a number of measures based on strict prevention and control procedures as part of a global approach, particularly with respect to its multi-service contracts (for example, hazard studies, evaluation of impacts and checkpoint controls and inspections). The Group also actively monitors research on subjects like nanomaterials and nanotechnologies, emerging biological parameters, household toxicity and the environmental consequences of climate change. It develops research projects, alone or in partnership with research centers or French or foreign specialized bodies, on certain subjects that are deemed to be priorities.

5.2.2.6 Legal, tax, contractual and commercial risks

Risk identification

Risks relating to long-term contracts

As the majority of the Group's activities are performed under long-term contracts, this can hinder its ability to react rapidly and appropriately to new situations with an adverse financial impact.

The initial circumstances or conditions under which the Company enters into a contract may change over time, which may result in adverse economic consequences. Such changes vary in nature and may or may not be readily foreseeable. Certain contractual mechanisms may help in addressing such changes and restoring the initial balance of the contract. The implementation of such mechanisms may be triggered more or less automatically by the occurrence of a given event (for instance, price indexing clauses), or they may require revision or amendment of the contract necessitating the agreement of both parties or of a third party. Accordingly, the Company and/or its subsidiaries may not be free to adapt their compensation to reflect changes in their costs or demand, regardless of whether this compensation consists of a price paid by the client or a fee levied on end users based on an agreed-upon scale. The longer the term of the contracts, the more these constraints on the Company are exacerbated. In all cases, and most particularly with regard to public service management contracts, the actions of the Company and/or subsidiaries must remain within the scope of the contract and ensure continuity of service. Moreover, they cannot unilaterally and suddenly terminate a business activity that they believe to be unprofitable, or change its features, except, under certain circumstances, in the event of obvious misconduct by the client.

Risks relating to the rights of public authorities

The rights of public authorities to unilaterally terminate or amend contracts entered into with the Company and/or its subsidiaries could have a negative impact on its revenue and profits.

Contracts with public authorities generate a significant percentage of the Group's revenue. In numerous countries, including France, public authorities may unilaterally amend or terminate contracts under certain circumstances provided that they compensate the other party to the contract. This may not be true in all cases, however, and the Company and/or its subsidiaries, despite their best efforts, may not be able to obtain full compensation should the relevant public authority unilaterally terminate a contract.

Risks relating to the set-up of partnerships

The Group may be required to conduct its activities in France and abroad through partnerships with public authorities or private players. These partnerships offer a means of sharing the economic and financial risks associated with certain major projects or activities. While the partial loss of operational control granted in return for reduced capital exposure is managed contractually, changes in the project or activity concerned or the economic or political context, or a downturn in the economic position of the partner(s) could lead to conflict between the partners and in certain cases the termination of the partnership. These situations, tied to the poor performance of a partnership, could have a significant impact on the Group's business activities, financial position, results or outlook.

Risks relating to activities in sensitive countries

Due to its international footprint, Veolia conducts business in certain countries in respect of which national authorities and international bodies have issued restrictions. Veolia may also have contact with individuals against whom restrictive measures have been issued.

Tax risks

Veolia operates throughout the world in numerous countries with different tax regimes. Tax risk is the risk associated with changes in laws and regulations (potentially with retroactive effect), the interpretation of those laws and regulations and changes in case law concerning the application of tax rules. These rules in the different countries where the Group operates are constantly changing and the tax regimes and tax rules applicable may be subject to interpretation and/or amendment. The Group cannot provide an absolute guarantee that its interpretations will not be challenged, with negative consequences for its financial situation or results. Furthermore, the Group is involved in standard tax audits and appeals. The main current tax audits are disclosed in Chapter 4, Note 11.3 to the consolidated financial statements above.

Risks relating to significant litigation

In the ordinary course of its activities, the Company and/or its subsidiaries are involved in litigation, arbitration procedures and inquiries. The most significant litigation proceedings involving the Company or its subsidiaries are described in Chapter 4, Note 12 to the consolidated financial statements above and Chapter 8, Section 8.2 below.

Risk management

Veolia places great importance on the management of legal risks given the nature of its business, that of environmental services, an area subject to increasingly complex regulation. The Veolia Environnement Legal Department ensures effective management of legal risks in liaison with operating teams in the field and in compliance with the Group's overall risk management process. The specific nature of the Group's activities (management of local public services, multitude of geographic locations, representatives and counterparties) has led the Company to adopt legal compliance rules to guide its employees in their activities and in the preparation of legal documents and to ensure compliance with such rules. In particular, these rules cover the Group's legal structure and notably the delegation of powers and monitoring thereof, and the selection of corporate officers. They also cover the reporting of major litigation (litigation and dispute reporting procedure) and significant operating contracts, compliance with antitrust law, ethics, standard contractual clauses, delegations of authority, sponsorship and patronage, managing relations with commercial intermediaries, conflicts of interest, and activities in so-called sensitive countries. They are accompanied by information, awareness raising and training initiatives (see Section 5.4.1 below).

As a Company with shares listed on the Paris Stock Exchange, Veolia Environnement is required to comply with rules governing:

- periodic and permanent market reporting: a Disclosure Committee supervises and controls the collection and communication of information regarding the Company's Registration Document (see Section 5.1.6 below);
- corporate governance: particularly with regard to the make-up and activities of the Board of Directors and its Committees, relations between these entities and Executive Management, the provision of information to shareholders and the proper application of regulations and Codes applicable to listed companies (see Chapter 7 below);
- insider trading: to help prevent insider trading, the Company has adopted a Code of conduct governing trading in its securities. The Chairman and Chief Executive Officer and members of the Executive Committee are deemed to be "permanent insiders" and trading by any of them in the Company's securities is prohibited, except during strictly defined periods and provided that they do not hold material inside information during such periods. These measures also cover so-called "occasional" insiders.

The Company overhauled and updated its Code of conduct to reflect new regulatory requirements applicable to issuers and their executives and particularly those concerning the compilation and update of a list of named "insiders" and obligations for senior Company executives and closely-related persons to report transactions in the Company's securities.

The Group introduced an internal procedure for activities in sensitive countries, including a list of countries concerned that is regularly updated for countries identified by OFAC (Office of Foreign Assets Control) and the European Union. Group companies are required to comply with this procedure. All new activities must be notified beforehand to the Group Legal Department for examination and approval, where necessary by the Veolia Executive Committee.

In order to comply with local tax laws and regulations, Veolia calls on the tax department and a network of tax professionals to ensure compliance with tax obligations and thereby reduce the tax risk to a reasonable and normal level.

5.2.2.7 Risks relating to failure to comply with ethical rules and non-compliance

Risk identification

Actions by employees, agents and representatives who do not comply with Veolia's "Ethics Guide" program (see Section 5.4 below) or the specific ethics Codes that have been implemented could expose Group companies to civil or criminal penalties and adversely affect their reputation.

Risk management

For information on the management of risks relating to failure to comply with ethical rules and non-compliance, please refer to Section 5.4 below.

5.3 Insurance

5.3.1 ORGANIZATION

The Insurance Department is responsible for protecting the Group's interests against insurable risks by:

- taking out common insurance policies to implement a consistent risk transfer and coverage policy designed to maximize economies of scale, while taking into account the specific characteristics of the Group's businesses and legal or contractual constraints;
- optimizing thresholds and the means of accessing the insurance or reinsurance markets through the use of appropriate deductibles.

The process of covering risks through insurance is implemented in coordination with Veolia's overall risk management policy. This takes into account the insurability of risks associated with the Group's activities, the availability of insurance and reinsurance coverage on the market and the premiums proposed compared with the level of coverage, exclusions, limits, sub-limits and deductibles.

The Risk Department and the Insurance Department are supported by a joint, international network of risk managers organized by country to take into account changes in the Group's organization.

The Group's Chief Risk and Insurance Officer attends meetings of the Accounts and Audit Committee throughout the year, and notably presented in 2017 a report on the Group's insurance policies and programs.

In 2017, the Insurance Department's main actions focused on continuing the roll-out of the Group's insurance program.

5.3.2 INSURANCE POLICY

The insurance policy continues to be updated in response to the ongoing appraisal of risks, market conditions and available insurance capacity. Veolia Environnement ensures that the main accidental and operating risks brought to its attention are covered by the insurance markets, when insurance is available on the market and it is economically feasible to do so.

The Group's insurance policy involves:

- defining the overall insurance coverage policy for the Group's business activities particularly based on the expression of needs of Business Units;
- selecting and entering into contracts with outside service providers (brokers, insurers, loss adjusters, etc.);
- managing the consolidated subsidiaries specializing in insurance or reinsurance services;
- leading and coordinating the network of insurance managers for the main Business Units.

5.3.3 MAIN INSURANCE POLICIES COVERING ALL BUSINESS UNITS AND GROUP SUBSIDIARIES

5.3.3.1 Third-party liability

The general third-party liability and environmental damage program was renegotiated effective January 1, 2015 for a three-year period for worldwide coverage (excluding the United States and Canada). Outside of the United States and Canada, initial coverage of up to €100 million per claim was subscribed. In the United States and Canada, several contracts cover third-party liability and environmental damage for Group subsidiaries, up to a maximum of USD 50 million per claim and per year. For all Group subsidiaries worldwide, an insurance program provides excess coverage of up to €400 million per claim, in addition to the basic coverage of €100 million outside the United States and Canada, and of up to €450 million per claim in addition to the basic coverage of USD 50 million in the United States and Canada. This program encompasses liability resulting from environmental damage sustained by third parties as a result of a sudden and accidental event. Certain activities, such as maritime transport, automotive and construction, have their own specific insurance policies.

5.3.3.2 Property damage and business continuity

All the Group's subsidiaries are covered by property damage insurance policies, insuring the installations that they own as well as those that they operate on behalf of clients. The Group insurance program provides either "business interruption" coverage or "additional operating cost" coverage depending on each subsidiary's ability to use internal or external solutions to ensure service continuity. These policies contain standard insurance market terms. The Group's property insurance policy was renewed on January 1, 2016 for a period of three years. The level of premiums, deductibles and sub-limits for exceptional socio-political or natural events reflects the terms proposed, or sometimes required, by insurers in the markets in which the risk is underwritten. Group insurance coverage carries a limit per event of €430 million per claim. Some of this coverage includes additional sub-limits per claim or per year. On January 1, 2016, the Group also renewed its Construction-Comprehensive Assembly and Test insurance policy covering all worksite operations throughout the world, for all subsidiaries.

5.3.3.3 Self-insurance and retained risks

For any insured claim or loss, Group companies remain liable for the deductible amount set out in the policy. This amount may range from several thousand euros to more than one million euros. The Group's self-insurance system is based mainly on its reinsurance subsidiary, Veolia Environnement Services-Ré, which retains a self-insured risk of €1.5 million per claim for third-party liability and €2 million per claim for property damage and resulting financial losses, thereby limiting the accumulation risk. For both property damage and third-party liability, Veolia Environnement Services-Ré has set up reinsurance contracts to limit its exposure to frequency risk (excess of loss-type contracts).

5.4 Ethics and compliance

Present in 48 countries[1] around the world, the Group is particularly attentive to compliance with values and rules of conduct relating to human and social rights set forth in international laws and treaties.

These values and rules of conduct take into account the Group's cultural diversity and are also in keeping with its commitment to protecting the environment. In addition, the Company makes every effort to promote these values and rules of conduct among all of its stakeholders.

The Group has also implemented compliance programs aimed at preventing legal and reputation risks through complying with standards applicable to the Company.

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

5.4.1 ETHICS GUIDE

In February 2003, the Company implemented the "Ethics, Commitment and Responsibility" program, which was updated in 2004, 2008, 2011 and 2013, when it was renamed the "Ethics Guide".

Designed as a reference document for the behavior of all Group employees at all management levels and in all countries where the Group operates, it is supplemented by two appendices: the Competition law compliance guide and the Guide to managing and minimizing criminal risk exposure in Group operations.

The Ethics Guide set outs out the Group's core values and the resulting rules of conduct that form the foundation of the Group's economic, social and environmental performance:

- **Responsibility:** the Group is committed to promoting the harmonious development of territories and improving the living conditions of populations affected by its activities from a public interest perspective, as well as internally, to developing employee skills and improving occupational health and safety;
- **Solidarity:** as the Group serves collective and shared interests through its business activities, this value applies to relationships entered into with all stakeholders. Concretely, it involves developing solutions enabling the supply of essential services for everyone and compliance with a manager's Code of conduct to ensure the Group's core values are shared and complied with throughout the world;
- **Respect:** guides the individual conduct of all Group employees through compliance with the law and the Group's internal rules and the respect shown to others;
- **Innovation:** imagine, create and be audacious in order to develop the environmental services of the future. Veolia has placed Research and Innovation at the center of its strategy in order to develop sustainable solutions of service to its clients, the environment and society;
- **client focus:** seek ever greater efficiency and quality in our services, listen to clients and strive to fulfill their technical, economic, environmental and societal expectations through our capacity to provide appropriate and innovative solutions.

5.4.2 ETHICS COMMITTEE

The Ethics Committee has five members appointed by the Executive Committee, who may be employees, former employees or individuals from outside the Company offering the necessary guarantees of independence and expertise. Independent in the conduct of their duties, Committee members cannot receive instructions from Executive Management or be removed during their term of office, which is four years, renewable.

The Committee is responsible for ensuring the proper application of the values set out in Veolia's Ethics Guide, which have been embraced by the Group and all its employees.

In the course of its duties, the Ethics Committee interprets the Ethics Guide taking account of the diversity of companies comprising the Group, the specific nature of their activities and the regulatory and social legal framework of the countries in which they operate.

It is vested with the authority necessary to perform its duties with regard to Veolia companies, both in France and abroad. On that basis, it can access any useful documents and hear any Group employee, the auditors and third parties.

In the conduct of its duties, it is supported by the Internal Audit Department and the Group departments which it can ask to intervene on any issues within its remit. It can also call on the services of external experts or visit any Group sites or companies.

Any Group employee who believes that informing his or her supervising management may result in difficulties or when the employee is not satisfied by the latter's response, can refer an issue to the Ethics Committee.

The Ethics Committee guarantees the complete confidentiality of information communicated both on employees and accused individuals.

Third parties, external service providers, suppliers, sub-contractors and clients can also refer any matters within its remit to the Ethics Committee.

In 2017, the Committee reported on its work during the previous year, as it does annually, to the Accounts and Audit Committee and the Executive Committee.

5.4.3 COMPLIANCE PROGRAMS

Until 2017, the Group's Legal Department was in charge of ethical and compliance assignments (notably by providing information and training on antitrust law, legal risk and corruption). It also validates the legal aspects of internal standards. In 2018, the Group created an independent Compliance Department, reporting directly to the Chairman and Chief Executive Officer. This department's remit notable encompasses the fight against corruption and influence peddling, money laundering, corporate duty of care, anti-competitive practices, protecting personal data, conflicts of interest the integrity of financial markets (insider trading) and interest representatives.

As part of governance measures, Veolia has also implemented and rolled out Group Norms and particularly:

- a suppliers' charter;
- an internal Group procedure covering commercial intermediaries, consultants and business agents;
- a legal reporting internal Group procedure;
- an internal Group procedure covering sponsorship and patronage actions;
- an internal Group procedure covering the prevention and management of conflicts of interest;
- an internal Group procedure covering the prevention of criminal law risk, including in particular, awareness-raising and training measures on the fight against corruption;
- a Group alert procedure in the event of fraud with a direct or indirect impact on the accounts;
- financial internal control procedures.

The application of Group Norms is verified by internal audits.

The Company's approach involves training sessions and campaigns to raise awareness among employees.

In 2004 and 2005, for example, the Company launched an awareness campaign under the title "Ethics and Business Life", which was rolled out to 400 senior managers in France and other countries.

In 2008 and 2009, Veolia Environnement continued these actions by conducting a "Compliance with Antitrust Law" training program, in France and abroad, targeting more than 5,157 Group managers. Refresher training courses were held in several countries from 2010 to 2016. In 2013, an e-learning version of this program, consisting of four modules, was introduced, aimed at 6,000 Group employees around the world.

In 2009, the Company also designed a training program entitled "Anticipating and Understanding Criminal Law Risk and Corruption Risk". This program has been rolled out within the Group to more than 3,960 individuals (including 850 managers in France) and has continued to be rolled out internationally since 2011 (in the majority of European countries, Brazil, United Arab Emirates, China, Japan, South Korea, Canada, etc.).

In 2012, nearly 500 managers worldwide received training in strengthening fraud prevention and control.

The Group has since continued its training sessions and campaigns to raise employee awareness. Transparency, integrity and compliance with legal obligations are priority objectives and Veolia constantly strengthens its program to fight against corruption and influence peddling. The Group maintains a culture of integrity, compliance and transparency with public authorities.

The Group has implemented measures that seek to satisfy the highest international standards, as well as principles and recommendations issued by international bodies, such as the OECD, the World Bank, the United Nations and Transparency International.

These measures and procedures are implemented in Veolia Environnement and all the subsidiaries and companies that it controls.

Veolia continues to roll-out measures, notably through the application of law no. 2016-1691 of December 9, 2016 on transparency, the fight against corruption and modernizing the economy (also known as the "Sapin II law").

With regard to corporate due diligence, the Vigilance Plan pursuant to law no. 2017-399, the so-called corporate due diligence law, is presented in Chapter 6, Section 6.1.4 below.

Group compliance programs also cover:

- environmental compliance: Chapter 6, Section 6.2 below;
- sensitive country risks: Section 5.3 above;
- protecting personal data: Chapter 6, Section 6.3.5 below;
- list of interest representatives: Chapter 6, Section 6.3.1.7 below

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5.4.4 INSIDE INFORMATION COMMITTEE

Pursuant to the implementation of EU Regulation no. 596/2014 of April 16, 2014 on market abuse (the Market Abuse Regulation), the Company's Disclosure Committee decided on November 24, 2016 to create an Inside Information Committee to rule on:

- the classification of any event or information likely to be classified as inside information pursuant to the Market Abuse Regulation;
- any other questions or difficulties relating to the application of this regulation.

In addition to the Chairman and Chief Executive Officer of the Company, this Committee comprises the Chief Financial Officer, (Committee Chairman), the Deputy CFO, the Group's General Counsel and the head of Investor Relations. The Group's Chief Compliance Officer joined the Committee on January 4, 2018.

The Inside Information Committee met once in 2017.

6

CORPORATE SOCIAL RESPONSIBILITY AFR

Information from the Annual Financial Report is clearly identified in the table of contents by the pictogram AFR

6.1 Sustainable development commitments

6.1.1 VEOLIA'S COMMITMENTS

Because the sustainable development of the planet is essential, because the sustainable development of the regions where the Group operates is its *raison d'être* and because the well-being of its employees impacts its performance, Veolia confirmed in 2015 its commitments to sustainable development in three areas:

- **resourcing the planet** (see Section 6.2 below);
- **resourcing the regions** (see Section 6.3 below);
- **for the Company's men and women** (see Section 6.4 below).

These commitments illustrate the Group's ambition to *Resource the world* by contributing to an economy that serves mankind without damaging the environment. They are supplemented by 12 objectives set for 2020, each of which are sponsored by a member of the Executive Committee.

Commitment	2020 objective	2017 results
Resourcing the planet		
1 Sustainably manage natural resources by encouraging the circular economy	• Generate more than €3.8 billion in revenue in the circular economy	• €4.4 billion
2 Contribute to combating climate change	• Achieve 100 million metric tons of CO_2 equivalent of reduced emissions over the period 2015-2020	• 44 million metric tons
	• Achieve 50 million metric tons of CO2 equivalent of avoided emission over the period 2015-2020	• 18 million metric tons
	• Capture over 60% of methane from landfills we operate	• 51% (√)
3 Conserve and restore biodiversity	• Carry out a diagnosis and deploy an action plan in 100% of sites with significant biodiversity issues	• 54%
Resourcing the regions		
4 Build new models for relations and value creation with our stakeholders	• Have established a major partnership based on creating shared value in every zone and every growth segment	• Examples of some major partnerships that have been signed: Danone, IBM, Huawei, CSSL, Livelihoods, Swiss Re
5 Contribute to local development	• Maintaining expenditure reinvested in the regions above 80%	• 85.4%(1)
6 Supply and maintain services crucial to health and development.	• Contribute to the United Nations' Sustainable Development Goals, in the same way as we contributed to the Millennium Development Goals	• Number of people connected to(2): • drinking water: 7.9 million • wastewater services: 3.54 million
For the Company's men and women		
7 Guarantee a safe and healthy work environment;	• Achieve an injury frequency rate of less than or equal to 6.5	• 9.55 (√)
8 Encourage each employee's professional development and commitment	• Deliver training to over 75% of employees annually	• 72% (√)
	• Maintain the manager commitment rate at over 80%	• 86%
9 Guarantee that diversity and fundamental human and social rights are respected within the Company.	• Ensure over 95% of employees have access to a social dialogue mechanism	• 89% (√)

(1) Average calculated over the main geographic zones representing nearly 71% of revenue in 2017.
(2) In countries with poor access (see Section 6.3.3.1 below)

These commitments to sustainable development supplement the Group's voluntary adherence to the United Nations Global Compact, which it signed in June 2003. In so doing, it has committed to supporting and promoting the Global Compact's 10 principles on human rights, labor law, the environment and the fight against corruption. The practical principles adopted by Veolia are also consistent with various international reference texts, such as the Universal Declaration of Human Rights and its additional covenants and the Organization for Economic Co-operation and Development's guidelines for multinational enterprises.

Veolia's commitments to sustainable development apply to all of its activities and all of its employees, in all of the countries where it operates. They are supported at the highest level of the organization and their oversight is the responsibility of various governance bodies, while implementation roll-out is managed at operational level:

- the **Sustainable Development Committee** brings together all the **internal** stakeholders involved in implementing these commitments. It is responsible for coordinating and conducting the initiatives. The Committee is chaired by the General Counsel and run by the Sustainable Development Department;
- the **Executive Committee** assesses progress on these commitments annually and monitors the achievement of the 2020 objectives using 12 key indicators accompanied by action plans;
- the **Research, Innovation and Sustainable Development Committee,** one of the four Board Committees, monitors the Group's social and environmental performance each year and ensures compliance with Veolia's sustainable development commitments.

All the information published by the Group in Chapter 6 has been subject to a specific external review (see Section 6.6 below). For fiscal year 2017, the indicators noted by the symbol (√) were checked with a reasonable level of assurance.

6.1.2 CONTRIBUTION TO THE UNITED NATION'S SUSTAINABLE DEVELOPMENT GOALS

Between 2000 and 2015, Veolia was a major contributor to the United Nation's Millennium Development Goals (MDG) for access to water and wastewater services (see Section 6.3.3 below). It remains mobilized to ensure the United Nation's Sustainable Development Goals (SDG) adopted in 2015 are attained.

The Group analyzed its situation, consulting with internal and external stakeholders, to identify the SDGs to which it contributes through its activities and sustainable development commitments. It concluded that Veolia contributes to a greater or lesser extent to implementing each of the 17 SDGs and has a direct or indirect impact on 65 of the 169 SDG targets, representing a contribution to 40% of targets.

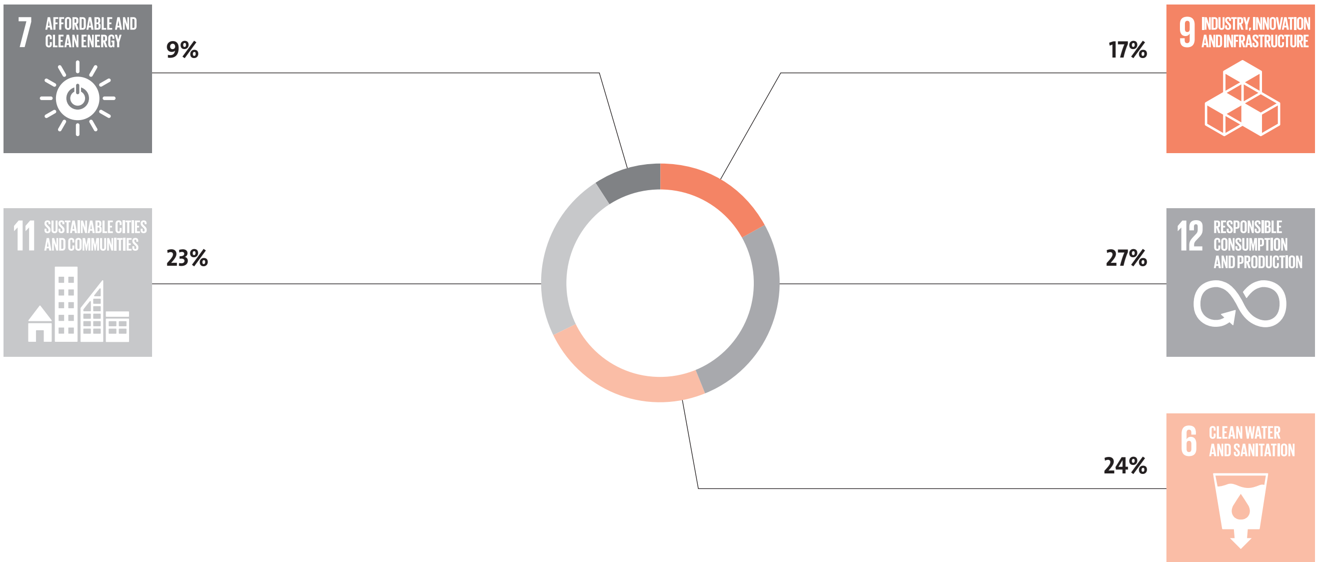
Data gathered by the analysis indicates a significant contribution to 5 "core business" SDGs:

- in its traditional activities: Veolia, is a major player in the management of water and wastewater services (SDG 6), energy services (SDG 7) and sustainable cities (SDG 11), through its waste management activities.
- in its growth activities: Veolia promotes innovative industrial production methods (SDG 9) and responsible consumption (SDG 12) through the circular economy.

The Group's ability to innovate (SDG 9) and form partnerships (SDG 17) are two key means of contributing to attaining the SDGs that appeal to stakeholders, particularly in the fight against climate change (SDG 13).

Veolia allocated its 2016 revenue to the five "core business" SDGs, studying the contribution of its businesses to each of the associated targets. This study highlighted a direct link between the Group's operating performance and its ability to respond to the international community's new objectives.

Allocation of 2016 revenue to the 5 main SDGs to which Veolia contributes



The targets and indicators associated with SDG 13 (climate action) mainly seek to mobilize States and focus less on actions by non-governmental bodies. This SDG was not therefore included in the revenue contribution analysis despite Veolia's commitment to meet climate challenges (see Section 6.2.3 below), as well as other SDGs such as preserving biodiversity (see Section 6.2.4 below) and improving health (see Section 6.3.3 below).

6.1.3 ACTIONS TAKEN TO PROMOTE HUMAN RIGHTS

For many years now, the Group is committed to upholding the human rights not only of its employees, subcontractors and suppliers, but also of the communities living in the regions where it operates. Veolia's dedication to human rights is reflected in its sustainable development commitments (see Section 6.1.1 above) and its fundamental values and principles set out in its Ethics Guide (see Chapter 5, Section 5.4.1 above). Veolia identifies its risks and preventive and monitoring measures at both corporate and business unit level taking account of local specificities and legislation.

In 2016, Veolia drafted a specific Group policy to formally recognize its commitment to human rights. As a French group operating in numerous countries, Veolia strives to roll out and enforce its human rights policy among its employees while promoting it among its other stakeholders.

The Veolia human rights policy focuses on eight priority issues:

- 3 issues relating to the rights of populations impacted by our activities:
  - right to a safe environment and protection of resources,
  - right to water and sanitation,
  - right of communities to their local way of life;
- 5 issues relating to fundamental labor rights:
  - elimination of forced labor,
  - abolition of child labor,
  - elimination of discrimination,
  - promotion of freedom of association and the right to collective bargaining,
  - right to a safe and healthy work environment.

Veolia has therefore adopted a constant improvement approach to the challenges it faces.

To this end, the opinion of various stakeholders especially concerned with this issue was solicited: an international organization, several specialist associations and businesses.

Veolia's human rights approach encompasses several measures and initiatives, including a vigilance plan in accordance with the French law no. 2017-399 on the corporate duty of care.

6.1.4 VIGILANCE PLAN PURSUANT TO LAW N0.2017-399 ON THE DUTY OF CARE

Pursuant to law no. 2017-399 on the duty of care of parent and contracting undertakings, Veolia Environnement's vigilance plan is notably founded on *"reasonable vigilance measures to identify risks and prevent serious violations of human rights and fundamental freedoms, risks and serious harms to health and safety and the environment"*:

1 "A mapping that identifies, analyses and ranks risks"

Risk analysis is a preliminary fundamental step in the improvement strategy. An analysis of specific human rights risks was conducted in 2014 and repeated in 2016. It covered the eight priority issues identified in the Human rights policy (see Section 6.1.3 above), as well as commercial relations. Analyses were conducted at zone/country level using the Group methodology, in order to combine global indicators with relevant local information. The aim of these analyses was to produce consolidated information combining internal and external risk perception. The analysis results will form the basis for action plans.

Responsible purchasing and environmental risks were also analyzed.

An entire section of Veolia's Environmental Management System (EMS) (see Section 6.2.1 below) covers the management of environmental and operating risks at Veolia's sites. Each year, all countries where the Group operates are asked to explain how they identify, review and control the main operating and environmental risks they face. This review is conducted under the auspices of the Country Director at least once annually and is performed in addition to the Group risk mapping led by the Risk Department (see Chapter 5, Section, 5.1.1 above).

Specific attention is also paid to any incidents in the country deemed "major". An analysis and detailed review of the effectiveness of measures taken is conducted (feedback, action plans, etc.).

This system is steered by the head office Technical and Performance Department and is sponsored by the Group's Chief Operating Officer, a member of the Veolia Executive Committee.

2 "Procedures regularly assessing the situation of subsidiaries, subcontractors or suppliers with which the Company maintains an established commercial relationship, with respect to the risk mapping"

The human rights and vigilance approach covers the different players in our value chain. The Veolia Purchasing Department has therefore included human rights, environmental protection and health and safety requirements in its "Responsible Purchasing" policy for a number of years (see Section 6.3.2.4 below). It seeks to raise the awareness of the different Purchasing process players of these requirements and make them accountable, by including social and environmental factors as well as economic factors in its framework agreements. Veolia Environnement and its subsidiaries have therefore introduced an appraisal system for referenced suppliers conducted by an external service provider. These appraisals are based on questionnaires comprising criteria reflecting our priority challenges and split into four main sections: environment, social, ethics and supplier relations.

A process has also been implemented to strengthen appraisals of suppliers operating on-site. Group employees (buyers, technical teams) are key vigilance and compliance players, particularly for health, environmental, working conditions and human rights issues.

3 "Actions to prevent and mitigate risks and serious harm"

The human rights and vigilance approach contributes to compliance with fundamental challenges and integrates them into the Group's values and actions. It promotes the strengthening and improvement of existing measures. The regions are developing numerous initiatives in response to the eight priority challenges identified in the Group human rights policy (see Section 6.1.3 above). Good local practices underpin actions implemented group-wide. The functional departments, supported by their network of officers, define a common framework of standards taking account of local specificities.

Initiatives are implemented to raise the awareness of Veolia employees and train them in the Group's values and ethical principles (see Chapter 5, Section 5.4.3 above), as well as human rights, health and safety (see Section 6.4.2 below) and environmental (see Section 6.2.1.2 below) policies.

4 "An alert mechanism that collects reporting of existing or proven risks"

A system currently exists for reporting to the Group Ethics Committee (see Chapter 5, Section 5.4.2 above).

These are local alert systems, where necessary, for the governance of each entity.

5 "A monitoring scheme to follow-up on the plan's implementation and the efficiency of measures"

Coordinated by the Group's Sustainable Development Department, the vigilance plan is implemented by a governance structure comprising the head office functional departments and the Business Units in a Human Rights Committee chaired by the General Counsel, the Executive Committee sponsor.

In keeping with the social dialogue policy (see Section 6.4.4.2 below), discussions were launched with internal stakeholders in the Group's representative bodies on the duty of care. An information session and several discussion sessions will be organized during the joint annual review meeting of the Group French and European Works Councils, in accordance with the Group agreement on its strategic directions and the social impacts.

6.1.5 NON-FINANCIAL RATINGS

Veolia Environnement's non-financial performance is rated externally based on published information and statements. This rating is valuable, as it is an independent measure of the Group's performance and allows it to remain attentive to expert opinion.

Veolia Environnement is notably included in the DJSI World and Europe and FTSE4Good stock market indices as sector leader. Veolia Environnement was awarded "Prime" excellence status by Oekom research and is included in RobecoSAM's Sustainability Yearbook 2018 in the "Gold Class" and "Industry Mover" categories. It is ranked first out of the 40 largest companies in its sector.

Veolia Environnement's climate performance received an A- rating for CDP Climate change, CDP supply chain and CDP Water. It is also included in the Euronext Low carbon Europe 100 index.

In its role as a supplier, Veolia was awarded the Gold distinction in 2016 as one of the top 5% of companies appraised by Ecovadis, an agency providing CSR assessment of the supply chain.

6.2 Environmental responsibility

As part of its sustainable development commitments (see Section 6.1 above), Veolia has reconfirmed its environmental commitment to better underscore its inclusion of the challenges facing the planet:

- **Sustainably manage natural resources by encouraging the circular economy;**
- **Contribute to combating climate change;**
- **Conserve and restore biodiversity.**

In addition to the 2020 objectives associated with its three commitments for the planet (see Sections 6.1 above, 6.2.2, 6.2.3 and 6.2.4 below), the Group has broken down its environmental policy into triennial objectives. These objectives apply to the entire Group scope and each entity must supplement, where relevant, these general objectives with local objectives decided based on an analysis of the major environmental impacts identified for its scope.

The new 2016-2018 plan was prepared based on a materiality analysis of the Group's environmental challenges and its strategic and performance plans, both of which were determined on a three-year basis (2018). The selected indicators and defined objectives take into account the Company's strategic, operational, commercial and sustainable development issues.

6.2.1 ENVIRONMENTAL MANAGEMENT SYSTEM

The Group has managed its environmental impacts using its environmental management system (EMS) since 2002 and has reported on it since 2004. In 2015, the Group defined a new joint system applicable to all its entities. This system identifies the most significant environmental impacts by activity and highlights the operational and environmental performance of its entities for the major challenges such as energy efficiency, raw material consumption, emissions, etc. It is designed based on a continuous improvement approach, with an annual review to define improvement objectives and integrate risk management.

This common platform is reinforced by locally implemented environmental management systems subject to external recognition (ISO 14001 and ISO 50001 certifications, labels, compliance with contractual commitments, etc.).

6.2.1.1 Management and deployment

Sustainable Development Committee	Chaired by the Group's General Counsel and run by the Sustainable Development Department, this committee brings together representatives from corporate functional departments and the business to decide on how the Group implements sustainable development. It defines the strategic orientations and validates the environmental policy, the objectives and the management system.
Group Operations Department	The Environmental Management System (EMS) is overseen by the Group's Operations Department, supported by the Director of each business *unit and* deployed by local managers. The Executive Committee monitors its deployment and the results obtained on an annual basis. Within the Executive Committee, the Group Operational Director is responsible for guaranteeing the system's efficiency.
Group Internal Audit Department	The Internal Audit Department is responsible for verifying the correct deployment of the Environmental Management System and its application by the operational managers.
Risk Department and Risk Committee	The Risk Department is responsible for coordinating the identification, assessment and control of Group risks, particularly environmental risks. It works with a Risk Committee that brings together the members of the Executive Committee and is chaired by the General Counsel and run by the Chief Risk and Insurance. This committee validates and monitors the effectiveness of the implemented action plans covering the significant risks identified in the mapping (see Chapter 5, Section 5.1.1 *above*).

The Group has also implemented a warning system and a crisis management procedure throughout its locations, particularly to monitor environmental risks and violations. These procedures mean that any necessary measures can be taken on a timely basis and at an appropriate level (see Chapter 5, Section 5.2.2.2 above). No major environmental incidents were reported to Group level in 2017.

Certifcations

	2014	2015	2016	2017
ISO 14001 certifications *(% of revenue covered)*	67%	67%	68%	67%
ISO 9001 certifications *(% of revenue covered)*	77%	75%	71%	71%
ISO 50001 certifications *(% of revenue covered)*	7%	20%	28%	32%

6.2.1.2 Raising employee awareness and training

Training and informing employees about environmental issues is an integral part of the measures put in place by the Group in each of the countries where it operates.

The integration process calls for management training and awareness-raising in environmental issues and the challenges specific to Veolia. The Veolia Campus network provides business units with access to environmental training (see Section 6.4.3.2 below). This is supplemented by local training sessions based on identified needs.

To raise employees' awareness of the key social and environmental issues surrounding international or political current affairs, the Sustainable Development Department organizes several conferences each year (two in 2017), with presentations by leading specialists. A webcast of these events is available on the Group intranet.

With the support of the Veolia Foundation, the UVED (*Université Virtuelle Environnement et Développement Durable* - Virtual University for the Environment and Sustainable Development), has developed Massive Open Online Courses (MOOC) on biodiversity subjects, climate change causes and challenges and ecological engineering. Veolia scientific experts have contributed to the educational content (videos) and the Group encourages its employees to enroll in the courses.

6.2.1.3 Resources dedicated to the prevention of environmental risks

Given the nature of the Group's activities, the amounts allocated to preventing environmental risks, particularly pollution, account for the majority of its expenses and investments. More specifically, industrial investments totaled €1,738 million in 2017 (see Chapter 3, Section 3.3.2 above) and comprised investment in growth and compliance measures.

The Group also invested in employee training, certification programs and the implementation of the EMS. A specific Research and Innovation budget was also renewed (see Chapter 1, Section 1.4 above).

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

Provisions for environmental risks primarily consist of provisions for site closure costs (including provisions for site restoration, the dismantling of equipment and environmental risks). They totaled €636.1 million in 2017.

GreenPath, an environmental footprint tool for offerings and contracts

Veolia has developed GreenPath, a web platform used by sales and technical teams to compare the environmental footprints of several solutions and choose, with clients, the solution that best meets their performance objectives. The tool calculates the carbon footprint of new projects and existing contracts in accordance with ISO 14064 (see Section 6.2.3 below) and their water footprint in accordance with ISO 14046 (see Section 6.2.2.2 below) and assesses their impact on biodiversity (see Section 6.2.4 below). It is available on the Group's intranet and covers Veolia's three business lines: Water, Waste and Energy.

6.2.2 SUSTAINABLY MANAGE NATURAL RESOURCES BY ENCOURAGING THE CIRCULAR ECONOMY

The *Sustainably manage natural resources by encouraging the circular economy* commitment encompasses the protection of natural resources (water, air, soil, raw materials and energy) and the development of the circular economy.

6.2.2.1 Encouraging the circular economy

Veolia proposes solutions to protect resources in a circular economy by:

- producing "secondary raw materials" from waste (recycled plastic, rare metals from electronic waste, recovered solvents, compost, solid recovered fuels, etc.);
- producing renewable and alternative energy from waste, recovering unavoidable energy and recovering wastewater as heat or biogas;
- reusing water;
- pooling multi-client sites (industrial and territorial ecology, biomass heating network).

At the end of 2017, the Group contributed to the French government's proposal to define a circular economy road map for France, through multi-party bodies and professional federations in the waste sector. The Group also joined the World Business Council for Sustainable Development (WBCSD) circular economy program, *Factor10*, which aims to encourage conditions contributing to a more sustainable global economy.

Establishing large-scale partnerships to optimize resource management

The unprecedented alliance with Danone launched in 2016, continued in 2017. This alliance to manage natural resources and reduce the environmental footprint focuses on four major issues: managing the water cycle, waste, sustainable agriculture, and energy efficiency. Priority topics include securing water resources and sustainably managing plastic packaging.

Plastic recycling and recovery strategy

Veolia has defined a plastic strategy to guarantee its industrial clients access to high quality recycled plastic meeting their requirements and comparable to virgin material. The Group has acquired specialist companies in Europe and Japan and rolled-out Liquisort©, an innovative sorting strategy for polypropylene and a patented process to produce high quality PET (CleanPET©) for use in the production of new food bottles. Veolia has also entered into partnerships with companies in order to act from the design phase and improve the recyclability of products and the use of secondary raw materials. In 2016 the Group joined the Ellen MacArthur Foundation's "New plastics economy" initiative, aimed at rethinking the future of this material globally, across the entire value chain.

As part of its sustainable development commitment (see Section 6.1 above), *Sustainably manage natural resources by encouraging the circular economy*, Veolia set a circular economy revenue target of over €3.8 billion by 2020[(1)]. This revenue totaled €4.4 billion in 2017. The 2020 objective was therefore exceeded in 2017. It was set based on forecast revenue taken from the growth plan. From 2017, the indicator is calculated based on actual revenue taken from the financial reporting.

	2015[(1)]	2016[(2)]	2017	2020 objective
Circular economy revenue	3.5	3.8	4.4	3.8

(1) Estimated value.
(2) The 2016 figure published in the 2016 Registration Document was an estimate based on forecast revenue in the Group's growth plan. The 2016 figure published in this Registration Document was calculated based on actual 2016 revenue in the financial statements.

6.2.2.2 Saving water resources

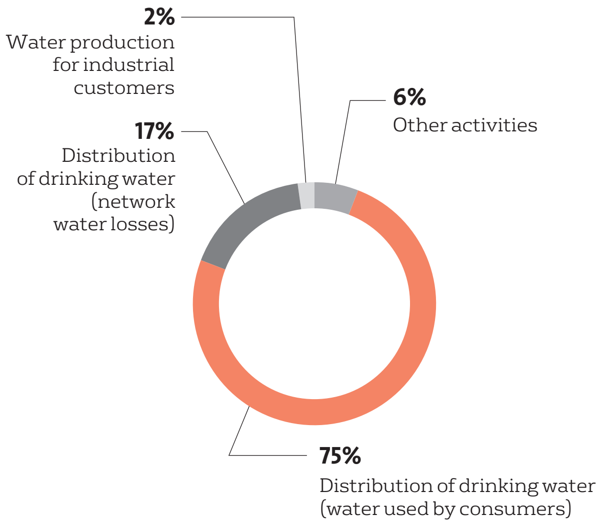
Reducing the quantity of water extracted from resources for its own facilities or those operated on behalf of clients is an ongoing concern for Veolia.

Development and breakdown of water abstraction by source

	2014	2015	2016	2017
Total water volume abstracted (m^3)[(1)]	9,788,592,772	9,858,502,612	9,813,100,474	10,011,329,033
Volume of water abstracted directly from the natural environment (% of total volume)	95%	93%	93%	92%
Of which *(% of volume of water abstracted from the natural environment)*:				
• volume of surface water abstracted	79%	79%	81%	78%
• volume of groundwater abstracted	21%	21%	19%	22%
Volume of water abstracted from a distribution network *(% of total volume)*	5%	7%	7%	8%

(1) For the Energy activity, scope limited to heat production and distribution facilities exceeding 100GWhTh.

Breakdown of water abstraction by activity in 2017



The largest abstractions performed or managed by the Group concern its drinking water production and distribution activity (91% of the total volume abstracted). Under its contracts with public authorities, Veolia produced 8.5 billion m3 of drinking water at the 4,117 production plants it operated. It operated 308,902 km of pipelines, supplying 9.2 billion m3 of water into supply networks.

Improving the water footprint

The Company has developed a **"Water impact index"** (WIIX) which is included in its GreenPath environmental footprint overall assessment tool (see Section 6.2.1.3 above). This enables decision-makers (businesses and public authorities) to determine measures for managing and using water. It can be used with the carbon footprint and applies to both public water and wastewater services as well as to industrial clients.

As part of its 2016-2018 environmental plan, Veolia has pledged to perform a **water diagnosis at 90% of the sites it operates with significant water stress issues**. The diagnoses are performed using the WIIX tool and a risk assessment tool, the GEMI Local Water Tool[R]. The 26 sites with significant water stress issues identified are from the Group's three business lines: Water, Waste and Energy. Water diagnoses were performed at 69% of these sites in 2017. The diagnosis conclusions show that the business units operating these sites were generally already aware of the water stress issues in their catchment area and had proposed alternative solutions to their client or implemented them.

(1) Circular economy revenue: revenue of entities that generate over 50% of their revenue from the following activities: the recovery of hazardous solid and liquid waste, by-products and sludge, water reuse, energy performance contracts, heating, steam and cooling network operations using over 50% non-fossil energy, cogeneration, and multi-activity industrial service contracts.

Proposing technical solutions

Veolia offers its clients a wide range of technical solutions to:

- protect resources (identifying chronic sources of damage to resources, preventing accidental pollution and creating and supervising protected areas);
- optimize their long-term management (resource monitoring, long-term management of water abstraction, controlled use of resources, improved network efficiency, combating fresh water parasites, managing demand, etc.);
- develop alternative resources, where needed (water reuse, groundwater recharge and sea water desalination).

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

Reducing losses in water distribution networks

In many cities, 20% to 50% of water produced is lost as a result of leaks in the distribution networks. Veolia has made reducing losses from networks one of its priorities. For the 2011-2014 *pro forma* scope, the volume of water lost has fallen by 8.6%, reflecting a net improvement for most of the networks managed by Veolia.

Certain municipal contracts include a leak reduction objective, particularly targeting network leaks. For example, the drinking water contract for the city of Lille includes a network performance improvement objective of 79% to 85% by 2023.

Water consumption and efficiency of networks serving more than 50,000 inhabitants

	2015 Pro forma (2015-2017)	2016 Pro forma (2015-2017)	2017 Pro forma (2015-2017)	2018 objective
Volume of drinking water consumed *(millions of m³)*	3,902	4,005	4,060	-
Volume of water losses in distribution networks *(millions of m³)*	1,506	1,484	1,450	-
Efficiency rate of drinking water networks *(as a %)*	72.2%	73.0%	73.7%(√)	75%

The *pro forma* decrease in the volume of water losses in distribution networks was due to the implementation of leak reduction programs (leak detection, break-up of networks into sectors, improved metering control, etc.). This demonstrates the Group's ability to improve the efficiency of complex systems.

Encouraging responsible consumption by users and digitalization

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

	2016	2017	2018 objective
Smart meter solutions *(in millions)*	4.4	5.1	↑
Percentage of customers with progressive rates	49	52	↑

The Group is increasingly digitalizing its businesses and offers "smart" solutions to local authorities and users. Veolia has therefore developed a range of platforms and applications providing an overview of water services and a direct and real-time access to data, improving responsiveness and operating efficiency (Urban Board for elected representatives facilitating interactions with users and Urban Pulse, a mobile application for the general public).

Increasing the reuse of water

Resources can also be preserved by developing alternatives such as the reuse of treated water, which has seen a significant increase in recent years. In 2017, recycled wastewater volumes were 103% higher than in 2011. As part of its 2016-2018 environmental plan, Veolia has set the objective of further increasing the volume of water reused.

Volume of water reused from collected and treated wastewater

	2014	2015	2016	2017	2018 objective
Volume *(in millions of m³)*	314*	373*	373	355	↑

* *The indicator now includes the Waste business in addition to Water. Past results were recalculated accordingly.*

The decrease in the volume of water reused from collected and treated wastewater between 2016 and 2017 is mainly due to a decrease in collection volumes in the Middle East and the end of a contract in the United States.

6.2.2.3 Recovering waste and reducing raw material consumption

Residual waste is what is left once all recovery and treatment phases have been completed. Veolia makes every effort to prevent waste production, seeks new recovery possibilities and, when none is possible, treats any waste produced.

Veolia is firmly committed to the recovery chain, particularly by developing methods for recovering materials from the waste it is given for treatment and the by-products of its other activities. It thus helps third parties to reduce their consumption of raw materials by making secondary raw materials available to them.

Veolia also seeks to reduce the raw material consumption of the installations it operates.

Recovering client waste

Recovery of treated waste

	2014	2015	2016	2017	2018 objective
Waste tonnage treated *(millions of metric tons)*	46.4	42.9	44.6	46.5	-
Treated waste recovery rate (materials and energy) *(%)*	65%	67%*	65%*	65%(√)*	70%
Recycled materials tonnage from dismantling *(metric tons)*		5,012	62,938	99,839	↑

** Pro-forma 2015-2017.*

The waste generated by industrial companies and households (wood, paper, cardboard, glass, metals, plastic, etc.) can be recycled and converted into reusable materials through selective collection and sorting. The management of end-of-life industrial facilities and equipment, identified as a priority growth area for the Group (see Chapter 1, Section 1.2.1.2 above), also contributes to the supply of recycled materials *via* dismantling. Waste that is not suitable for materials recovery can be processed for energy recovery using the heat produced by specially designed incinerators and the recovery of biogas produced by the decomposition of landfilled waste.

Between 2011 and 2017, the materials recovery rate for treated waste rose from 15% to 19%. During the same period, the energy recovery rate increased from 44% to 47%.

The overall waste recovery rate is stable on a pro forma basis (65%) between 2016 and 2017. The increase in inert waste not recovered on a major contract in Asia is offset by an increase in recovered waste volumes in China (biogas) and France (materials).

These indicators especially reflect the type of contracts signed by Veolia (with or without recovery). The Group is responsible for developing innovative and efficient waste management technologies and solutions that enable waste recovery (selective collection, materials and/or energy recovery) and for offering these technologies and solutions to its industrial clients and public authorities, which make the final implementation decision.

Combating food waste

Veolia has developed a comprehensive business offer for supermarket chains including the treatment of their biowaste and the recovery of unsold goods for associations, charities and reuse centers.

In 2016, Veolia signed a five-year partnership in France with the social-economy start-up Eqosphère. It is based on an Open Innovation strategy and relies on the complementarity of the two players: Veolia offers to accompany supermarket chains in optimizing their recovery of unsold items and biowaste while Eqosphère sets up optimized sorting processes and trains store employees. This partnership enables clients to reduce their waste volumes and comply with the regulations governing food waste reduction.

Recovering residual waste and limiting the production of final waste

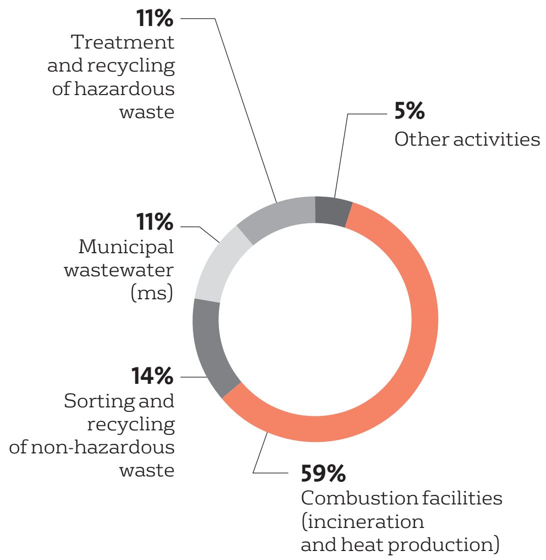
Residual waste is the final result of all the recovery and treatment phases. Veolia makes every effort to prevent waste production, seeks new recovery possibilities and, when none is possible, treats any waste produced.

Change in residual waste production

Business	Residual waste produced	2014	2015	2016	2017
Water	Sludge produced by wastewater treatment(1) *(thousands of metric tons of DM)*	714	718	676	662
Waste	Non-hazardous waste produced *(thousands of metric tons)*	3,127	2,941	3,236	3,447
	Hazardous waste produced *(thousands of metric tons)*	650	650	705	742
Energy	Quantity of bottom ash and ash(2) *(thousands of metric tons)*	1,055	1,147	1,251	1,203

(1) At wastewater treatment plants with a population equivalent capacity of over 100,000.
(2) At heat production and distribution facilities exceeding 100 GWhTh.

Breakdown of residual waste production by activity in 2017



The main types of waste produced by the Group's activities are bottom ash and residues from incineration, ash and bottom ash related to the combustion of wood and coal in plants, sludge created as a result of wastewater treatment and rejects from sorted waste.

Recovery rate for the main types of residual waste produced by the Group's activities

	2015	2016	2017	2018 objective
Residual combustion waste recovery rate *(%)*	56%	58%	61%	↗
Wastewater sludge recovery rate *(%)*	62%	64%	57%	≥ 65%
Materials recovery rate for waste treated in sorting centers *(%)*	90%*	89%*	89%*	↗
Production of alternative fuels from treated waste *(thousands of metric tons)*	923	1,097	1,169	↗

* *Pro forma 2015-2017.*

Limiting and recovering waste incineration residues

Bottom ash, the non-combustible solid residue produced by incineration, accounts for roughly 18% of the tonnage of incinerated non-hazardous waste. Recovery is regulated according to its source. After a period of maturation and depending on its composition, it may be recovered as road construction material. Veolia is contractually responsible for managing 59% of the bottom ash produced by the incinerators that it operates, equivalent to around 1.1 million metric tons; 84.8% of this was recovered in 2017. When bottom ash cannot be recovered, it is stored at a landfill site for household and similar waste.

Flue gas residues are stabilized and then stored in landfills for residual hazardous waste. They represent around 3% of the waste incinerated for household waste incineration plants.

Limiting and recovering thermal energy plant combustion waste

The combustion of solid fuels such as coal, lignite and biomass produces ash that is largely made up of (non-combustible) mineral matter and a small amount of unburned carbon. The amount of ash produced depends mainly on the level of mineral matter present in the fuel. This tends to be low for biomass but can be high in the case of certain types of coal.

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

The Group is committed to limiting the waste produced by its Energy activity by improving combustion techniques and treating or recovering waste in accordance with local regulations.

Recovering wastewater sludge

Wastewater treatment produces sludge, which is a concentrate of the organic and mineral material previously contained in the water. Population growth and more effective wastewater treatment systems using increasingly sophisticated treatment methods, increase the amount of sludge produced worldwide.

To meet the needs of its clients in both the public and private sectors, facing increasing sludge volumes, Veolia's challenge is to transform this sludge to reduce the related management costs and to recover it in the form of energy and/or products that can be used in agriculture or industry.

Sludge is mainly recovered for agricultural applications (land application or composting), when the sludge quality and availability of suitable land permit, and through waste-to-energy processes (such as anaerobic digestion, use as a replacement fuel and incineration with energy recovery). In 2017, at least 49% of sludge was recovered for use in agriculture and at least 8% was recovered for energy. While Veolia promotes sludge recovery solutions, the Group does not always have decision-making powers over the choice of solution. The decrease in the sludge recovery rate in 2017 is mainly due to a change in the destination of sludge at several Chinese entities. Veolia does not always have decision-making powers over the choice of treatment and recovery solution. Veolia ensures that the quality of the sludge is always appropriate for the client's intended use.

Reducing material consumption at our sites

Raw materials consumed (excluding fuels) are mainly treatment reagents (notably urea, ammoniac, coagulants and flocculants). Their consumption is monitored internally and is indirectly communicated in scope 3 emissions in respect of reagents used in the production of drinking water and the treatment of wastewater (see Section 6.2.3.2 below).

In the Water business, predictive regulation of reagents makes it possible to optimize dosage levels and reduce consumption. The Prédifloc™ process reduces coagulant consumption by 15% on average. In addition, matching the size of storage tanks to actual requirements helps manage supplies more effectively, ensure consumption is properly planned and limit the number of truck journeys.

The Company has optimized raw material consumption and efficiency of use at several levels. On the economic front, a cost-cutting objective, which includes savings on purchases of raw materials, was defined and rolled out to all business areas. This is performed in conjunction with the Group's greenhouse gas reduction objectives.

6.2.2.4 Optimizing land use

Towards ecological land management

The Group's landfill sites and water treatment and production sites cover the largest areas. However, these land areas are not fully sealed and the design of these sites and the operating methods implemented by the Group seek to minimize the footprint of its activities by maximizing the percentage of soil favorable to the maintenance and development of biodiversity. As part of its biodiversity strategy (see Section 6.2.4 below), the Group drafted an ecological management guide for its sites with the support of IUCN France. It combines practical information sheets that facilitate the independent roll-out of favorable measures for ecosystems, to be incorporated when designing and/or managing sites. The conditions governing land use are included in site operating rules and are consistent with the Group's commitment to ecosystem management (the ecological management and development element of the biodiversity commitment in relation to sites and clients).

Redevelopment of landfilling cells

The operation of a landfill site requires landfilling cells to be dug and prepared. When responsible for this task, the Group complies with all obligations regarding surface sealing and the recovery of excavated materials. Once used, the cells are covered as quickly as possible. These measures encourage the development of local ecosystems. The cells are monitored for environmental impacts before being returned to general use. When the entire site is redeveloped, monitoring continues to ensure that the species planted repopulate the area (post-operation phase). These stages are incorporated in the action plans for sites with major biodiversity issues.

Set-up of protective perimeters for water catchment areas

Protective perimeters are established around catchment areas of water intended for human consumption in order to preserve the resource. Within these protective perimeters, human activities that could directly or indirectly damage water quality are prohibited or tightly controlled. In its wellfield operations, the Group conducts voluntary biodiversity-friendly actions (differentiated management of green areas, inventory of animal and plant life, etc.) much like the actions carried out at the Crépieux-Charmy wellfield in Lyon.

6.2.2.5 Limiting the discharge of pollutants into water

Veolia constantly strives to improve its performance to reduce the impact of water discharges from its activities.

The main discharges from facilities operated by the Group concern its Water business. Veolia provides wastewater treatment services to nearly 62 million people worldwide and collects 6.3 billion m^3 of wastewater. 5.7 billion m^3 are treated in the 2,878 urban wastewater treatment plants operated by the Group.

Collecting and decontaminating wastewater

To ensure the efficient management of wastewater collection and treatment services, Veolia has developed a comprehensive approach to help public authorities according to their size and their technical and regulatory issues. The guaranteed success of a wastewater project involves several stages: assessment of needs, definition of a local strategy, quality guarantee, measurement of service performance and communication with residents on the impact of the service.

Optimizing the efficiency of treatment processes is an ongoing concern for Veolia, both in terms of operating facilities under its management and developing new processes.

The average rates of pollution abatement, expressed in BOD_5 and COD, for the wastewater treatment plants operated by the Group are very satisfactory. As part of its 2016-2018 environmental plan, Veolia has set minimum efficiency thresholds of 90% and 85% respectively, well above French regulatory thresholds[(1)].

(1) *The Decree of July 21, 2015 on collective wastewater systems and non-collective facilities, excluding individual wastewater systems receiving a gross load of organic waste of less than or equal to 1.2 kg/day BOD5, sets the threshold at 80% for BOD5 and 75% for COD.*

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Treatment efficiency of wastewater treatment plants with a population equivalent capacity of at least 100,000

	2014	2015	2016	2017	2018 Objective
BOD5 treatment efficiency *(%)*	94.7%	96.0%	96.0%	95.8%(√)	> 90%
COD treatment efficiency *(%)*	90.2%	91.4%	91.5%	91.3%(√)	> 85%

Furthermore, in accordance with the European Water Framework Directive, systems were implemented, particularly in France, to monitor the flow of a high number of micro pollutants deemed dangerous to the environment, to assess the impact of wastewater treatment plant discharges on the ecological state of bodies of water.

A comprehensive range of monitoring services

Veolia has developed regulatory analysis techniques and offers clients a comprehensive range of monitoring services (sampling and analysis). It has also identified biological tools for measuring the impact of these discharges on target organisms. Where necessary, the Group works with its clients to define and implement solutions to reduce or eliminate the discharge of hazardous substances into the natural environment and manage the attendant risks. These solutions can either be implemented at source (for example, by connecting plants and monitoring networks) or take the form of remedial measures (by optimizing processes, introducing additional treatments, etc.).

6.2.2.6 Limiting atmospheric pollution

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

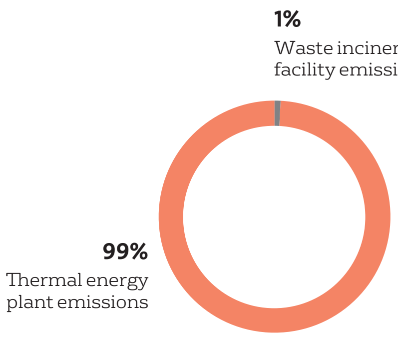
SO_x and NO_x emissions

	2014	2015	2016	2017
SO_x emissions *(metric tons)*[(1)(2)]	67,570	69,397	69,733	71,860
NO_x emissions *(metric tons)*	38,376	40,791	41,236	41,349

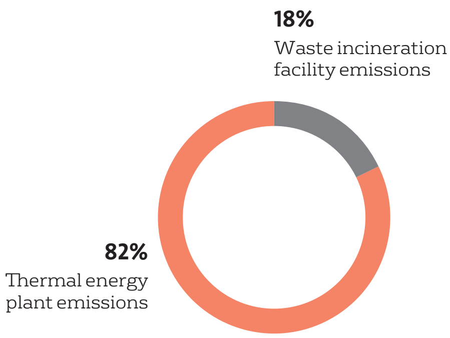
(1) For combustion facilities, Sulfur Oxide (SO_x) and Nitrogen Oxide (NO_x) emissions are calculated in accordance with the European Industrial Emissions Directive (IED) of November 24, 2010. These documents set the maximum values for emissions based on fuel type and facility capacity.

(2) The calculation methods for SO_x and NO_x emissions may differ depending on the activity. For the Group's waste incinerators, particularly in Europe, dust, TOC, HCl, SO_2, HF, CO, NO_x and flue flow are measured on a continuous basis. Analyzers provide substance concentration measurements every minute or so. For thermal energy plants, emissions are calculated based on energy consumption and regulatory emission limits for large combustion plants (from 50 to 100 MW). These emission limits have been applied to all energy consumption, regardless of the size of the facility.
Other methods may be used in response to local requirements, based on emission factors depending on the tonnage burned, with these factors being determined through tests under real operating conditions.

Breakdown of SO_x emission in 2017 (%)



Breakdown of NO_x emission in 2017 (%)



Atmospheric emissions from thermal combustion plants

As part of its 2016-2018 plan, Veolia has set the objective of reducing atmospheric emissions per unit of energy produced.

Average flow discharged by thermal energy plants with a capacity of over 100GWh

	2015	2016	2017	2018 objective
NO_x *(g/MWh)*	363	322	299	↘
SO_x *(g/MWh)*	484	295	244	↘
Dust *(g/MWh)*	17	15	12	↘

The 2017 decline in NO_x, SO_x and dust emissions reflects the efforts made by the sites and business/technical centers of excellence to capture and treat air pollutants emitted by heat production plants.

Atmospheric waste incinerator emissions

As part of its 2016-2018 environmental plan, Veolia is continuing to use the strictest regulatory benchmark - the European Union benchmark - to assess its overall performance worldwide. In 2017, as in previous years, average emission concentrations were below the levels stipulated by the European Directive.

Emissions from hazardous and non-hazardous waste incineration plants in 2017

	CO mg/Nm3	NO_x mg/Nm3[1]	SO_x mg/Nm3	HCI mg/Nm3	Dust mg/Nm3	Dioxins ng/Nm3
Average concentration of emissions from hazardous and non-hazardous waste incineration plants	8.6	121.4	12.4	6.1	1.8	0.01
2018 objectives[2]	< 50	< 200	< 50	< 10	< 10	< 0.1

(1) For NO_x, the standard depends on the output rate: 200 mg/Nm3 for plants > 6 metric ton/hour and mg/Nm3 for plants < 6 metric ton/hour.
(2) The 2018 objectives were defined using the limit values set by the European Directive 2000/76/EC of December 4, 2000, repealed by the Industrial Emissions Directive (IED) of November 24, 2010 and enacted into French law by two decrees of September 20, 2002 (daily averages).

6.2.2.7 Limiting soil pollution

Veolia is careful not to generate any chronic or accidental soil pollution at the sites it operates. It does this by storing and using materials properly, managing stormwater and the effluents produced during treatment processes effectively, as well as ensuring that resources for preventing accidental spillages remain operational.

Prevention and monitoring at landfill sites

Waste landfills have the highest land footprint of all sites operated by the Group, and are subject to minimum internal standards governing their design and operation. These include: carrying out geological soil studies; implementing a watertight system made up of a double barrier (active and/or passive, with the application of a geomembrane that has been tested and certified by an external service provider); introducing systems for collecting and treating leachates and surface water on site or at external plants; and monitoring groundwater.

Over the duration of operations and post-operations (at least 20 years), the monitoring system is based, *inter alia*, on the analysis of surface water, groundwater and discharges. All Veolia sites self-assess their compliance with these standards. Should they fall short, the sites must either propose an action plan showing how they intend to achieve compliance, demonstrate that equivalent measures are in place, or obtain special dispensation on the basis of additional monitoring measures.

Restoring and maintaining soil quality

Veolia is also committed to restoring and maintaining soil quality through the remediation of contaminated soil and organic recovery of waste and wastewater sludge (see Section 6.2.2.3 above, Recovering residual waste and limiting the production of final waste).

6.2.2.8 Reducing local pollution

The Group seeks to minimize any local pollution in all its activities.

Limiting, capturing and treating odors

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

Veolia therefore implements solutions directly and works with its clients where they are responsible for the corresponding capital expenditure. To this end, Veolia has developed technology and works with partners to treat and control odors (*e.g.* biofiltration treatment, scrubbing and electronic measurement systems). It also implements physical-chemical and biological techniques that limit odor problems. In the event of perceived pollution, the Group consults with the local population. For example, the creation of a "nose jury" made up of local residents who have been trained to identify odors and the introduction of a special telephone line both help to assess the odor problem more effectively and enable Veolia to take appropriate steps.

Limiting waste collection noise

The noise issue has become a key concern for local elected representatives. The main noise problems primarily concern waste collection. Veolia is carrying out research and has developed some particularly innovative solutions, such as a pneumatic waste collection system that significantly reduces the volume of trucks in towns and cities.

6.2.3 CONTRIBUTE TO COMBATING CLIMATE CHANGE

6.2.3.1 Challenges and the 2 degrees objective

Veolia has adopted the conclusions of the 5th assessment report of the United Nations Intergovernmental Panel on Climate Change (IPCC) and is working on the transition to a circular economy approach, guidance for regions and industries on energy transition and the roll-out of solutions to adapt to the impacts of climate change. Veolia's strategy incorporates climate change and the Group's contribution to reducing emissions and to adapting, as required by Article 173 of law no. 2015-992 of August 17, 2015 on energy transition for green growth and the recommendations of the Task Force on Climate-related Financial Disclosures - TCFD (see Chapter 1 Section 1.2.3 above).

48% of the greenhouse gas (GHG) emissions (scopes 1 and 2) managed by the Group was generated by its Energy business (mainly the operation of heating networks) and 41% by its Waste business (mainly methane emissions (CH_4) in landfills and CO_2 emissions by incinerators). These businesses represent 20% and 36% of the Group's revenue, respectively. The Water business (44% of revenue) generated 11% of emissions (mainly due to electricity consumption). The Group also calculates its scope 3 emissions (see Section 6.2.3.2 below).

In 2017, GHG not emitted due to Group measures represented 59% of emissions (scopes 1 and 2).

Since the Paris Climate Agreement (December 2015), Veolia has been working on its contribution to the 2 degrees objective. This research has focused on producing scenarios: incorporating INDC[1] and 2 degrees trajectories for each Group business.

The Group offers its expertise to its clients to calculate and reduce their environmental footprint and particularly their carbon footprint, using the Veolia GreenPath tool (see Section 6.2.1.3 above).

As early as September 2014, Veolia advocated a robust and predictable carbon price by signing the statement issued by the World Bank. In April 2015, the Group showed its commitment by supporting the World Economic Forum's CEO climate leaders' initiative. In May 2015, Veolia Environnement signed the Global Compact Business Leadership Criteria, the Carbon pricing leadership coalition and that of the AFEP-MEDEF. Its Chairman and CEO advocates a carbon fee which would tax greenhouse gas pollution and redistribute these funds directly to mitigation projects. At the same time, Veolia has set an internal carbon price which will increase steadily until 2030. This reflects its vision and changes in regulations governing the markets in which it operates and are applicable to investment projects.

Active participation in climate change conferences

Veolia participates in the international conference of the United Nations Framework Convention on Climate Change (UNFCCC). At the COP20, 21 and 22, the Group reaffirmed its position on mitigation and adapting to climate change. At the COP23 in Bonn in 2017, Veolia organized a side-event at the France Pavilion on the challenges of adapting to climate change, featuring prestigious contributors including Jean Jouzel, the former Vice-Chairman of the IPCC. During this event, Veolia presented solutions for adapting to natural disasters and particularly the project implemented in New Orleans to assist the city with its resilience strategy.

Veolia contributes to the 2050 Pathways Platform *via* the Nazca Tracking Climate Action platform. Veolia is in particular a member of the CCAC, the Global Alliance for Building and Construction in favor of energy efficiency, Sustainable Energy for all (SE4All) and the Business Alliance for Water and Climate.

In December 2017, in preparation for the One Planet Summit, Veolia signed the French Business Climate Pledge supported by 91 French companies. Having already signed the initial initiative launched prior to the COP21 in 2015, Veolia took this opportunity to confirm its commitment to the fight against climate change and the implementation of measures necessary to accelerate transition.

(1) *INDC: Intended Nationally Determined Contribution.*

As part of its sustainable development commitment (see Section 6.1 above), *Contribute to combating climate change*, the Group set the following objectives for 2020:

- capture over 60% of methane from managed landfills;
- achieve 100 million metric tons of CO_2 equivalent reduced emissions(1);
- achieve 50 million metric tons of CO_2 equivalent avoided emissions(1).

The policy designed to combat climate change is coordinated at the highest Group level. The head of the Sustainable Development Department, who is also a director representing employees on the Veolia Environnement Board of Directors, facilitates the Sustainable Development Committee which coordinates and initiates the measures relating to the Group's commitments.

The Director of the Northern Europe zone, an Executive Committee member, chairs the Strategy & Climate Internal Task Force, that is responsible for rolling out the Group's commitment, "Contribute to combating climate change", within the Group's activities (project funding, guidance for R&I, reporting methods, advocacy policy, etc.).

Veolia's position in coal-based energy production was raised during the Board of Directors' strategy seminar in 2016 and during a meeting of the Research, Innovation and Sustainable Development Committee in December 2017 (see Chapter 7, Section 7.2.2.4 below). To enrich its debates, Veolia launched a third-party consultation program involving the Chairman and Chief Executive Officer and Executive Committee members: a Critical Friends Committee was held in January 2017 (see Section 6.3.1.1 below). As well as, in November 2017, a meeting bringing together external experts in the energy and climate sectors. It was attended by some members of the Critical Friends Committee.

6.2.3.2 Emissions linked to Group activities

Emissions reporting: the importance of methodology choices

To provide transparency and advice for its clients, for many years now, Veolia has reported on and published greenhouse gas emissions for the scope of activities under the Group's operational control, regardless of the percentage consolidation in the financial statements (see Section 6.5 below).

Veolia has opted to take into account the actual impact of methane in its reporting. The global warming potential of methane is 28 times higher than that of CO_2 (calculated over 100 years) (5th IPPC assessment report). However, many businesses and countries report with a global warming potential of 25 (4th IPCC assessment report). This choice therefore increases methane emissions by 12%, raising the Group's scope 1 emissions from 27.7 to 29.5 million metric tons of CO_2 equivalent in 2017. While wastewater treatment, waste recovery and recycling activities generate methane emissions, the Group's expertise enables it to capture biogas and recover energy.

Change in GHG emissions of activities under operational control(2)

	2015	2016	2017
Scope 1 - Direct emissions *(million metric tons of CO2 eq)*	27.5	28.5	29.5(√)
Scope 2 - Indirect emissions *(million metric tons of CO2 eq)*	7.5	5.3	5.2(√)
Total *(million metric tons of CO2 eq)*	35.0	33.8	34.7(√)

The increase in Veolia's scope 1 emissions is due partly to Group growth (see Section 6.2.3.3 below) and partly to methane emissions at landfills (see Section 6.2.3.4 below). Veolia's scope 2 emissions remained under control in 2017, reporting a slight decrease despite higher revenue.

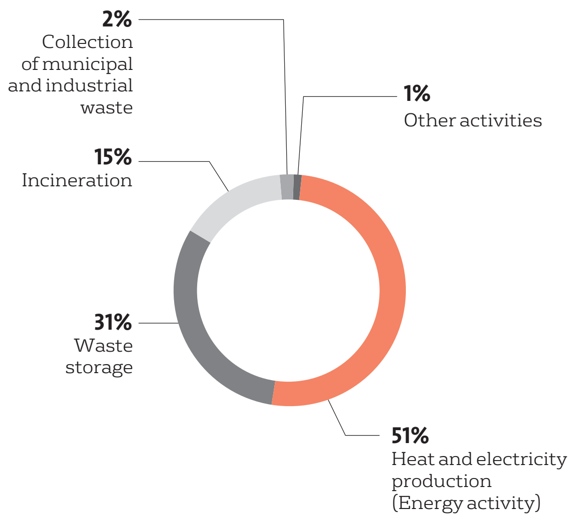
(1) Over the period 2015-2020.

(2) The GHG Protocol proposes several ways of consolidating GHG emissions.

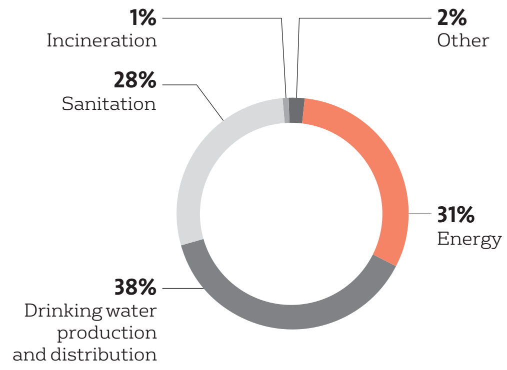
- *The operational control approach (GHG emissions fully consolidated for the activities in the operational control scope, even if the assets are not fully owned by the Group).*
- *The equity share approach (consolidation of GHG emissions according to the equity share in the entity, within the environmental reporting scope).*
- *Veolia applies the first approach which reflects it activity as an operator. (In 2016, emissions under the operational control approach totaled 33.8 million metric tons of CO_2 eq. and emissions under the equity share approach totaled 26.9 million metric tons of CO_2 eq. representing carbon intensities of 1,384 and 991 metric tons of CO_2 eq./€ million, respectively.)*

Breakdown by activity of emissions managed by the Group (%)

Breakdown of scope 1 emissions by activity in 2017



Breakdown of scope 2 emissions by activity in 2017[1]



Emissions trajectory

The Group advocates for a scientific accounting of greenhouse gas (GHG) emissions and a scientific definition of greenhouse gas reduction trajectories.

Accordingly, Veolia Environnement sits on the Board of Directors of the independent body responsible for the French accounting of atmospheric pollutants and greenhouse gases, the Interprofessional Technical Center for Studies on Air Pollution (CITEPA). Veolia took part in the study financed by the Agence Française de Développement (AFD) on the monitoring of GHG emissions and atmospheric pollutants, as part of a Sino-French cooperation.

The Group's 2020 objectives were set based on the business changes presented to investors in the long-term plan and the related GHG emissions calculated business-by-business.

The 2 degrees and 1.5 degree scenarios for the Group's business sectors (district heating, waste recovery, water production and treatment) are still poorly documented. Veolia is studying the implications of these scenarios using scientific data available in RCP2.6[2] on the countries where the Group operates. Veolia has initiated exchanges with the International Energy Agency (IEA) on urban heating and waste issues, including recycling and recovery. The Group has also joined the Science Based Target initiative. There is, however, no.2°C trajectory for the Group's business sectors: scientific research (IEA, universities, etc.) is still necessary in order to define appropriate scenarios and methodologies.

As the Group's activities make it a natural contributor to efforts to reduce GHG emissions of regions and countries, the Group also monitors the INDC[3] of countries where it operates and particularly France's National Low Carbon Strategy.

Scope 3 emissions[4]

The Group also assesses greenhouse gas emissions that fall under its control by calculating a part of its third scope. In 2017, emissions relating to electricity consumption (8.2 million metric tons of CO_2 equivalent) and emissions relating to heat and electricity purchases for distribution *via* the networks operated by the Group (6.8 million metric tons of CO_2 equivalent), accounted for over 90% of scope 3 emissions.

Emissions relating to purchases of products and services are mainly due to reagents used in the production of drinking water and the treatment of wastewater (0.5 million metric tons of CO_2 equivalent)[5]. Emissions linked to employee travel (by air and rail) for the Group's French companies within the France scope amounted to 10,647 metric tons of CO_2 equivalent. Veolia is committed to a responsible purchasing strategy which contributes to reducing scope 3 emissions (see Section 6.3.2.4 below).

(1) According to the GHG Protocol, emissions relating to heat and electricity purchased and distributed without transformation are accounted for in scope 3. Only the physical losses of heating and electricity distribution networks are still accounted for in scope 2.

(2) RCP2.6: IPCC reference scenario for setting objectives to limit the increase in the temperature to 2°C by the end of the year compared with the pre-industrial age.

(3) INDC: Intended Nationally Determined Contribution.

(4) The GHG protocol sectoral guide for the waste sector is currently undergoing review, particularly to better identify indirect emissions of this activity.

(5) These indicators are calculated using the sum of volumes produced and the sum of wastewater volumes entering wastewater treatment plants for treatment and associating respective emission factors relating to the inputs (chemicals). Source ADEME.

6.2.3.3 Contribute to reducing and avoiding GHG emissions

A committed player, the Group provides solutions aimed at reducing greenhouse gas emissions:

- **by reducing emissions** from the services and processes sold and facilities managed (diagnosis and environmental footprint, greater energy efficiency, use of renewable energies, destruction of methane arising from landfills);
- **by enabling third parties to avoid emissions** through its activities (mainly by supplying energy and materials extracted from the recovery of waste and waste water).

The measures implemented to reduce and prevent GHG emissions, for each business line, are as follows:

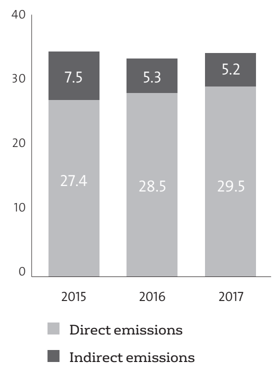
Business line/ Type of measure	Measures implemented
ENERGY **Reduction of GHG emissions**	• Proper use of energy transformation facilities (energy efficiency) resulting in less fuel consumed for the same energy output. • Use of renewable and alternative energy instead of fossil fuels whenever possible (biomass, geothermal, solar, wind, etc.). • Optimum supply of energy services (integrated energy management) encouraging a more rational use of energy by consumers. • Combined production of heat and electricity (CHP).
WASTE **Reduction of GHG emissions**	• Collection and treatment of biogas from landfill sites. • On-site consumption of heat and electricity produced from waste incineration and biogas recovery. • Other actions enabling the reduction of fuel and energy consumption.
GHG emissions avoided	• Sale of heat and electricity produced from waste incineration and biogas recovery at landfills and from anaerobic digesters. • Recycling of raw materials contained in waste. • Production of alternative fuels from waste.
WATER **Reduction of GHG emissions**	• On-site consumption of a portion of the heat and electricity produced from renewable sources (biogas from sludge digestion, recovering potential water energy using hydraulic micro-turbines, heat pumps, etc.). • Optimization of energy consumption by the facilities.
GHG emissions avoided	• Sale of energy produced using renewable energy sources (biogas from sludge digestion, recovering the potential energy of water by using hydraulic micro-turbines, heat pumps, etc.).

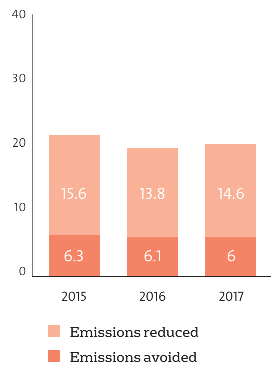
Group direct emissions increased by 1 million metric tons of CO_2 equivalent due to:

- external growth (a landfill in Latin America, a coal-fired industrial heat production site in Asia);
- an increase in thermal and electricity production at gas and coal fired co-generation facilities in the United States and Europe;
- an increase in activity at Chinese landfill sites which have capture rates below the Group average.

Reduced emissions are higher in 2017, thanks to the contribution of waste and energy activities.

Change in GHG emissions (million metric tons of CO_2 eq.)





Total emissions reduced and avoided since 2015

	2015	2016	2017	2020 objective
Total emissions reduced since 2015* *(million metric tons of CO_2 eq)*	15.6	29.4	44(√)	100
Total emissions avoided since 2015 *(million metric tons of CO_2 eq)*	6.3	12.4	18.2(√)	50

* *In 2016, Veolia aligned its scope 2 calculation for the Energy activities to the GHG protocol. The calculation reference scenario for reduced emissions was modified accordingly.*

6.2.3.4 Methane capture results

In landfills, the breakdown of biodegradable waste generates biogas that is 40%-60% composed of methane.

	2012	2013	2014	2015	2016	2017	2020 objective
Methane capture rate at landfills *(%)*	49%	52%	56%	57%	53%	51%(√)	≥ 60%

The rise in the methane capture rate between 2012 and 2015 reflects the Group's policy of creating new extraction wells and enhancing the performance of existing facilities. In 2017, the methane capture rate declined due to increased activity in China at landfill sites with a capture rate below the Group average. The captured methane recovery rate rose from 78% to 83% between 2015 and 2017, reflecting the Group's efforts to recover the methane it captures rather than burn it using a flare.

6.2.3.5 Saving and preserving energy resources

Saving and preserving energy resources is an area where Veolia can contribute significantly to combating climate change. In this area, Veolia is committed to

- improving energy efficiency, not only in the facilities that it operates, but also through the energy services that it provides;
- promoting the use of renewable and alternative energy;
- recovering the maximum energy potential from waste or wastewater to be treated and from the facilities that it operates.

The highest levels of energy consumption, including fuels, are naturally found in the Energy business, particularly for the production of heat for municipal heating networks and the supply of heat to industries, hospitals and tertiary buildings. However, energy-related issues also affect the Water and Waste activities, both of which contribute to the Group's consumption and production of renewable and alternative energy.

Change in energy consumption

				Business line contribution *(%)*		
	2015	2016	2017	Water	Waste	Energy
Total energy consumption(1) *(million MWh)*	122.8	112.7	112.6 (√)	8%	33%	59%
• Of which total thermal energy consumption *(million MWh)*	110.7	100.5	101	2%	35%	63%
• Of which total electrical energy consumption *(million MWh)*	12.1	12.1	11.6	64%	15%	21%

(1) Where Veolia operates a heating distribution network without producing heat, the heat purchased is not included in energy consumption since 2016. Account is only taken of network heat loss. The same applies to the electricity distribution activity with no production.

The table presents fuel consumption for the production of energy and the energy consumption necessary to the operation of the installations operated by the Group.

Change in renewable and alternative energy consumption[1]

	2015	2016	2017	Business line contribution (%) Water	Waste	Energy
Consumption of renewable or alternative energy *(million MWh)*	42.0	42.9	43.2	2%	78%	20%
• Of which share of renewable or alternative energy used by the Group *(%)*	34%	38%	38%	-	-	-
Consumption of renewable energy *(million MWh)*	26.6	26.4	26.4	4%	68%	28%

Change in energy production

	2015	2016	2017	Business line contribution (%) Water	Waste	Energy
Total thermal and electrical energy production *(million MWh)*	62.6	53.8	54.4(√)	1%	16%	83%
• Of which thermal energy production *(million MWh)*	45.0	37.2	37.3	1%	9%	90%
Production of renewable or alternative energy *(million MWh)*	16.1	16.3	16.3	5%	53%	42%
• Of which share of renewable or alternative energy produced *(%)*	26%	30%	30%	-	-	-
Production of renewable energy *(million MWh)*	11.7	11.5	11.5	7%	41%	52%

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As part of its 2016-2018 Environment plan, Veolia has set a target of increasing renewable and alternative energy production by 5% compared to 2015 in all its activities.

Change in renewable and alternative energy production

	2015	2016	2017	2018 objective
Production of renewable and alternative energy *(million MWh)*	16.1	16.3	16.3	↑
Increase compared to 2015 *(%)*	-	+1%	+1%	+5%

The renewable and alternative proportion of total energy production increased from 23% in 2012 to 30% in 2017. Renewable and alterative energy production remained stable in 2017 (+1% on 2015), due to the termination of a major contract in Vilnius, Lithuania. The commissioning of two new biomass facilities in Canada at the beginning of 2018 should lead to an increase in production.

Veolia has also defined the following separate objectives according to the specificities of its businesses.

Energy business: generate savings and diversify the energy mix

Veolia is responsible for energy management at more than 40,210 energy facilities worldwide, from district heating networks to housing, commercial and industrial building boilers. Optimizing the energy efficiency of such thermal installations focuses on operating and maintenance quality and their modernization. Heating networks that offer optimized energy performance by concentrating production on a single site and involving co-generation (the simultaneous production of thermal energy and electricity) represent strong growth areas.

Veolia is also implementing a policy to diversify its energy mix in favor of renewable energies. The percentage of biomass fuel consumed by Energy business lines increased from 6% in 2011 to 9% in 2017. This indicator remained stable in 2017, with the increases observed in Hungary and Finland offseting the termination of the Vilnius contract in Lithuania, where 26% of fuel consumed was biomass.

(1) *Alternative energies are energy sources of natural or industrial origin that are lost if not recovered immediately. Renewable energies are energies that can be indefinitely and inexhaustibly renewed.*

2016-2018 environment plan energy performance indicators

	2015*	2016	2017	2018 objective
CO_2 emissions per MWh of heat and electricity sold *(kg of CO_2/MWh)*	359	382	372	↘
Primary energy savings *(in MWh)* on heat production in CHP delivering more than 100 GWh/year	5,336,805	6,144,259	5,872,669	↑
Energy efficiency of heating networks *(%)* delivering more than 100 GWh/year	84%	85%	87%	↑
Energy savings (expressed in non-emitted metric tons of CO_2 equivalent) by optimizing energy services for buildings (e.g.: Hubgrade, etc.)	Not measured	8,850	9,840	↑
Percentage of biomass in the energy mix *(%)*	8%	9%	9%	↑

* *2015 is the reference year of the 2016-2018 Environment plan.*

Under its heat production contracts, Veolia is a leading operator of CHP plants. These plants improve energy efficiency by adding simultaneous power production to heat production As the Veolia facilities are recent, the best available technologies can be used to limit pollution and improve production. The average age of the plants (or their most recent major refurbishment) was 11 years in 2016. The decrease in primary energy savings in CHP plants between 2016 and 2017 was due to the termination of the Vilnius contract in Lithuania.

The change in CO_2/MWh ratio was due to the change in methodology for the calculation of energy produced. Since 2016, to ensure greater transparency, heat and power purchased for distribution are no longer included in the energy consumption and production indicators.

Water business: optimize power consumption and seek self-sufficiency

Veolia is developing its expertise with a view to becoming completely or almost entirely energy self-sufficient for the treatment of wastewater. Indeed, the theoretical energy contained in wastewater is between two and over five times greater than that needed to treat it.

The Group seeks to minimize the energy consumption of the facilities that it operates (water, wastewater, networks and plants) by inventorying best practices and sound technological decisions, developing diagnostic tools and carrying out energy audits or certifications - the Water France management system is ISO 5001:2011 certified. The equipment replacement policy also seeks to optimize energy consumption, in a total cost approach.

At the same time, as part of its search for the best solution for treating wastewater sludge (see Section 6.2.2.3, Recovering waste, above), Veolia is researching and evaluating options for waste-to-energy recovery (such as anaerobic digestion and incineration or co-incineration with energy recovery) and is seeking to optimize the energy efficiency of its treatment processes. Furthermore, in cases where it is technically viable and economically advantageous for the client, Veolia is looking to increase energy output using renewable energy production equipment, such as solar panels or wind turbines. It assesses the amount of recoverable energy by installing turbines at the outlets of wastewater treatment plants, as in the case of Brussels (Belgium). Finally, the Group is continuing to investigate the use of heat pumps.

An increasing number of wastewater treatment plants are now excellent examples of energy efficiency. In Germany, Veolia has launched an energy savings and biogas energy production approach at all installations fitted with sludge digesters. This has enabled three wastewater treatment plants to achieve energy independence (Braunschweig, Görlitz and Schönebeck, *i.e.* approximately 520,000 population equivalent).

2016-2018 environment plan energy performance indicators

	2015* (pro forma 2015-2017)	2016 (pro forma 2015-2017)	2017 (pro forma 2015-2017)	2018 objectives
Electricity used to produce drinking water (in Wh/m3) by plants delivering more than 60,000 m^3/d	277	274	242	≤ 260
Electricity used to treat wastewater *(in Wh/m^3)* by wastewater treatment plants with a population equivalent capacity of over 100,000	346	335	341	≤ 348
Recovery rate for biogas produced by the anaerobic digestion of sludge *(%)*, for wastewater treatment plants with a population equivalent capacity of over 100,000	78%	79%	77%	↑

* *2015 is the reference year of the 2016-2018 Environment plan.*

Waste business: gain in energy efficiency and develop recovery

The development of waste-to-energy recovery at sites such as incinerators, landfills and anaerobic digestion plants means that the use of external energy sources to power operations at such sites can be reduced and energy can be supplied to third parties. Furthermore, recycling activity and the provision of solid recovered fuels have also helped to reduce clients' primary energy needs.

2016-2018 environment plan energy performance indicators

	2015* (pro forma 2015-2017)	2016 (pro forma 2015-2017)	2017 (pro forma 2015-2017)	2018 objectives
CO_2 emissions per quantity of energy produced by waste incinerators, excluding waste carbon content *(kg of CO_2/MWh produced)*	22.9	23.3	22.1	↘
Production of energy by municipal waste incinerators *(kWh/metric ton of incinerated waste)*	731	740	760	↑
Recovery rate for methane captured in landfills	78%	81%	83%	↑
CO_2 emissions relating to waste collection *(kg of CO_2/km)*	1.36	1.40	1.35	↘

* 2015 is the reference year of the 2016-2018 Environment plan.

6.2.3.6 Adaptation to the consequences of climate change

Veolia accompanies the development of regions and has developed a range of solutions to help clients adapt to climate change and improve their resilience, such as:

- water recycling and the reuse of wastewater to reduce pressure on natural resources and conflicting usages in areas exposed to water stress or excessive water demand in dense urban or industrial areas;
- managing wastewater systems during periods of heavy rainfall to limit flooding risks;
- continuity and crisis and post-crisis management plans covering the provision of essential services following extreme events and the return to normal.

The Group takes restrictions linked to climate change into account at the plants it operates and implements scalable solutions to help its clients reduce the vulnerability of their regions and develop preventive systems to manage crisis risks. The Rockefeller Foundation, Veolia and Swiss Re Corporate Solutions Ltd have combined their efforts to design a new infrastructure rehabilitation initiative that will enable cities to restart economic activity more rapidly after a disaster. This partnership, which aims to help cities adapt to climate change, reduce their exposure to natural disasters and strengthen and rehabilitate their infrastructures, has already been implemented in New Orleans and Milwaukee (USA).

At business unit level, adaptation to climate change is incorporated into the local analysis of environmental risks and challenges. The teams take into account relevant regulatory changes, resource availability, additional requirements/volumes identified and necessary process changes. Accordingly, when faced with higher demand for water resources for specific uses such as irrigation and watering green areas, the increased reuse of treated wastewater and optimizing distribution network performance are encouraged (see Section 6.2.2.2 above).

At Group level, climate change risks are taken into consideration in the risk mapping process, based on resources, regulatory and market changes, purchases and economic risk (see Chapter 5, Section 5.1.1 above).

6

6.2.4 CONSERVE AND RESTORE BIODIVERSITY

The Group is mindful of the impact it has on nature and is committed, in accordance with French law, to applying the principles of the mitigation hierarchy (or the Avoid-Minimize-Compensate approach), the first step of which is to avoid damaging biodiversity, then to reduce the impacts and finally to offset them.

The Group's commitment to biodiversity is also part of the vision, aims and governance principles of the National Biodiversity Strategy (Stratégie Nationale Biodiversité, SNB) launched in France, and which Veolia signed in May 2011. In 2015, to demonstrate its support, the Company set up a voluntary commitment initiative comprising a 2015-2018 action plan covering all its activities in France and abroad. It was officially recognized by the French Ministry for ecological and inclusive transition in October 2015. The Group aims to adapt its businesses and practices by improving the inclusion of biodiversity in its offerings, services and management methods and working closely with its clients, sub-contractors and other partners (associations, scientists, etc.).

This commitment can be split into three parts:

- better take into account biodiversity issues locally and contribute to the design of innovative solutions inspired by nature;
- the aim is to increase the Group's understanding of biodiversity and better integrate this understanding into the services proposed to clients. Veolia has therefore performed an impacts and dependencies assessment for each of its businesses and analyzed the benefits of services provided by nature. The impacts of the Group's activities mainly concern the consumption of natural resources, the residual pollution contained in waste and emissions from its operations and the land coverage of its sites, which contributes to soil degradation. The analysis of these challenges drives research projects and the design of innovative solutions (bioindicators to measure impacts, green infrastructures, etc.);
- deploy initiatives for the ecological planning and management of sites:

- managing the impacts of discharges and withdrawals within the natural environment. By improving its environmental performance, directly in line with its operational performance, Veolia reduces its impacts on receiving environments, particularly air and sea, and therefore biodiversity (see 6.2.2 and 6.2.3 above),
- managing and developing areas from an ecological perspective, to compensate for the impacts generated by land coverage. The approach focuses primarily on sites identified as having significant biodiversity issues and requiring priority actions (performance of biodiversity assessments involving ecologists) but also allows site managers to act independently (ecological management guide, footprint calculator for the management of green areas, green area charter, etc.);

- raise awareness, involve more people both internally and externally and promote initiatives put in place in collaboration with local players.

The Group aims to change ecological management practices by triggering a change in culture, both internally and externally. This transition involves promoting ecological solutions to clients and requires the involvement of service providers/sub-contractors. Producing and sharing tools with stakeholders and developing local partnerships also helps ensure more account is taken of biodiversity in its organizations.

As part of its sustainable development commitment (see Section 6.1 above), *Conserve and restore biodiversity*, the Group defined a 2020 target; Carry out a diagnosis and deploy an action plan in 100% of sites with significant biodiversity issues.

Account is taken of several criteria, through the Group's reporting tool, to identify sites with significant biodiversity:

- the ecological context is defined according to the presence of protected species or natural habitats on the site and the type of environment on which the site is located. Account is also taken of the presence of protected or listed natural areas that are officially recognized as being of ecological interest by local stakeholders, on or adjacent to the site. Since 2010, the Group uses information in the Ibat database (Integrated biodiversity assessment tool, developed by Birdlife international, Conservation international, IUCN and the United Nations Environment Program) to perform this work using geo-located site data;
- the ecological potential is defined according to the surface area of the site's permeable zones (land or aquatic).

An assessment of biodiversity challenges must be performed by ecologists at these sites, identified as a priority.

	2015 (pro forma 2015-2017)	2016 (pro forma 2015-2017)	2017 (pro forma 2015-2017)	2020 objective
Percentage of sites with significant biodiversity issues that have carried out a diagnosis and deployed an action plan	31%	40%	54%	100%

Several tools, integrated into the *GreenPath* environmental footprint tool (see Section 6.2.1.3 above) were made available to the sites to support the roll-out of this approach, including:

- a biodiversity diagnosis tool, developed in partnership with a research office specializing in fauna and flora and natural environments, that serves as a standard for ecologists in charge of assisting sites with significant biodiversity. The methodology includes the characteristics of the surrounding environment, site development and management methods and the disruptions relating to its activity that can be used to define an action plan tailored to local issues;
- the ecological management guide, developed in partnership with IUCN France (reviewed in 2016), that enables all sites, whatever their issue at stake, to implement measures to protect biodiversity. It comprises information sheets on the maintenance of green areas, ecological developments for roads and buildings, maintenance of ponds and waterways, and the management of invasive exotic species.

Fully aware that naturalist expertise is needed to set up and monitor actions tailored to regional issues, the Group encourages its sites to forge partnerships with conservation associations.

Indicators were created in 2015 to monitor the roll-out of the strategy and the related tools:

	2015	2016	2017
Number of sites that have introduced ecological management and/or development	141	155	161
Number of sites that have forged a partnership with a local conservation association	62	47	51
Number of sites (with or without significant biodiversity issues) that have carried out a diagnosis and deployed an action plan	135	155	197

The biodiversity strategy is monitored by a biodiversity committee combining the departments in charge of this issue in the Group's entities (head office functional departments, Research and Innovation, and business units). A network of officers located in the countries where the Group operates ensures the roll-out of the Group's strategy through the implementation of action plans, the sharing of best practices and feedback on experience.

Since 2008, Veolia has partnered the French Committee of the IUCN (International Union for Conservation of Nature), which provides expertise for the roll-out of its commitment (drafting of its commitment in relation to the SNB, creation of operational tools, etc.).

6.3 Social Responsibility

Social responsibility is expressed and assessed through three Veolia commitments to regional sustainable development (see Section 6.1 above):

- **Build new models for relations and value creation with our stakeholders;**
- **Contribute to local development;**
- **Supply and maintain services crucial to health and development.**

The business units worldwide are the main players in implementing the Group's commitments, in cooperation with the functional departments and through the Executive Committee and zone managers.

The Group is also supported by two entities:

- the **Fondation d'Entreprise Veolia Environnement**, hereinafter referred to as the **Veolia Foundation** (www.fondation.veolia.com), whose priority areas are (i) development assistance and humanitarian emergencies, (ii) support for transition to work and social cohesion, and (iii) environmental and biodiversity protection. The Veolia Foundation's projects involve the Group's employees, as sponsors of supported projects (financial sponsorship), or Veoliaforce network volunteers (skills sponsorship through work in the field).

  In 2017, Veolia Foundation provided financial support to 50 new projects or action plans of €3.114 million. By extending the Foundation's mandate for a new five-year term (2014-2018), the Group has confirmed its commitment to a policy of skills-based patronage and financial sponsorship;
- **The Veolia Institute** (www.institut.veolia.org), an association governed by the French law of 1901, and created by Veolia Environnement to carry out forward-looking analyses of emerging challenges related both to the environment and society. This unique platform promotes innovative modes of interaction between the Company and civil society and draws on a multidisciplinary network of international partners, including the members of its Foresight Committee. Through its international conferences, journals (FACTS Reports and S.A.P.I.EN.S) and studies, it detects and develops reliable scientific knowledge and tried-and-tested best practices in the field and shares them with public and private players involved in sustainable development discussions.

6

6.3.1 BUILD NEW VALUE CREATION MODELS WITH OUR STAKEHOLDERS

6.3.1.1 Veolia's challenges and approach

Through its sustainable development commitment, *Build new models for relations and value creation with our stakeholders* (see Section 6.1 above), Veolia looks to meet several complementary objectives:

- build new shared value creation models with its clients and regional partners;
- develop relations with all stakeholders in its ecosystem.

With the increased importance of civil society players (NGOs, social entrepreneurs, consumer associations, charities, universities, etc.), the Group has redefined the scope of its businesses, remodeled its governance and rethought its growth in terms of innovative models, developing new business models. These new models leverage know-how through contracts sharing profit and value creation with clients and partners contributing additional expertise.

These co-building mechanisms provide the means to understand issues that Veolia could not tackle alone. For example, an urban resilience service offering requires concerted global action and collaboration with a broad range of players. This approach underpins the partnership signed with the reinsurance company Swiss Re and sponsored by the Rockefeller Foundation and the 100 Resilient cities initiative.

In 2017, Veolia continued its partnership relations policy in two directions:

- **Collaborations with institutional, national or international bodies, as well as economic players, to sharpen the Group's expertise and know-how in its various businesses.**

  Veolia has regular exchanges with its institutional stakeholders (associations, international organizations, universities, trade unions, etc.) through various discussion forums (working groups, conferences and international events) and has formed partnerships with several of them. Similarly, through its Critical Friends Committee (see the box below) and the organization of "stakeholder meetings" with leading experts, the Executive Committee shows its desire to take onboard stakeholder opinions and challenge certain of its strategic directions.

  Veolia actively contributes to discussions, consultations and projects on developments in environmental services management initiated by international, European and French authorities, professional associations, think tanks and NGOs. The Group shares its expertise by responding to stakeholders' requirements, initiatives or issues that have a direct or indirect impact on its businesses. Veolia also creates new working relations with its clients and business partners to help forge innovative partnerships based on shared value creation models;

- **Support measures for the socio-economic development of areas where the Group operates** (see Section 6.3.2 below).

For its employees, Veolia promotes equal opportunities within the Company through its human resources policy (see Section 6.4 below).

Veolia is convinced that developing social dialog with its employees contributes to improving local working conditions, particularly in emerging countries and encourages the creation of employee dialog forums (see Section 6.4 below).

A Critical Friends committee

Veolia has set-up a Critical Friends committee in order to draw on the expertise of independent, external stakeholders. Around a dozen international individuals, representing associations, institutions and academia, contribute their vision and constructive criticisms on issues linking corporate strategy and sustainable development.

Since June 2013, Veolia's Critical Friends have met once or twice a year. They visit Group sites to familiarize themselves with the Group's businesses and the issues it faces and hold regular discussions with Veolia's Chairman and CEO and members of the Executive Committee.

6.3.1.2 Build new shared value creation models with its clients and partners

Together with its client and partners, the Group creates new business models based on sharing value created (financial or social), innovation and complimentary expertise:

Innovative contractual models

- Peer Performance Solutions (PPS): Together with cities, Veolia develops new models for creating shared value and joint development, based on the sharing of profits achieved (Veolia Performance Solutions: New York, Washington, etc.).
- Contracts with fund providers based on the AssetCo - OpCo model (*e.g.* partnerships with Takeei for the operation of biomass plants in Japan, with Neste and Borealis in Finland for energy production and with EPM in Latin America for the implementation of energy efficiency projects).

Innovative models founded on complementary expertise

- The alliance forged with **IBM** in 2016 for the co-development of innovative digital solutions for public authority services.
- The cooperation agreement signed in Shanghai in September 2016 with **Huawei** to optimize the Smart Cities contract.
- The partnership with an **ecosystem of partners** (start-ups, data providers and urban service operators, etc.) to develop Veolia's **Urban X** range proposing digital solutions to city dwellers.
- The first international resilience partnership, signed in 2016 with **Swiss Re** and sponsored by the Rockefeller Foundation. The aim is to help cities get their vital infrastructures up and running more quickly after being damaged by natural disasters. Acting together with 100 Resilient Cities, the partnership implemented its approach for the first time in New Orleans.
- The partnership between **Carbon Clean Solutions Limited** (CCSL), the global leader in low-cost carbon capture technology and Veolia Environnement, focusing on the large-scale capture and sale of CO_2.
- Veolia Environnement has joined the **Livelihoods 3F** fund for family farming. By developing circular economy solutions, the Group will help improve the resilience of small farmers to climate change.

In addition to these partnerships forging global development alliances, partnerships were also signed at local (country) level, such as:

- the partnership with **Peterson** for the dismantling and recycling of oil platforms at their Great Yarmouth site in England;
- the partnership with **SEB** and **Eco-Systèmes**. This is the first partnership creating a complete circular economy loop for small equipment.

Shared value creation models with industrial clients

- Partnership with **Danone**: first ever global alliance for managing natural resources and reducing the environmental footprint. This alliance comprises several priority issues and notably securing water resources and the sustainable management of plastic packaging, both central issues in Danone's new climate policy and its long-term goal of making the Company carbon neutral.

Innovative social models

- To meet growing public authority demand for innovation, Veolia has developed a social open-innovation platform, "***Pop Up*** *by Veolia*", to encourage co-creation by the Group and social entrepreneurs. Veolia has already launched five social entrepreneur incubator programs in partnership with ESSEC's Institute for Innovation and Social Entrepreneurship (IIES), Ashoka (the leading global social entrepreneur network, with 3,000 members in 80 countries) and Ticket for Change (calls for projects, advisory and support services, premises and services, and network operation and provision): in areas managed by the Water Authority for Greater Paris (excluding Paris), Lyon, Toulouse, Bordeaux and Mexico. In 2017, support was provided to 41 structures and 10 co-creation projects.
- To create socially-inclusive jobs for individuals with disabilities and/or professional reinsertion difficulties, such as:
  - A project with **Elise** to create socially-inclusive jobs for individuals with disabilities and/or professional reinsertion difficulties, offering companies more extensive handling of their office waste,

- The **North West Waste Alliance** joint venture, in the water, waste management and recycling and energy efficiency sectors, between Nuntirrpa, a 100% aboriginal company and Veolia in Australia/New Zealand.

6.3.1.3 Dialog with local stakeholders

Establishing dialog with local stakeholders involves, in particular:

- implementing a local management structure to respond to the information and service requests of all inhabitants;
- providing regular information to local stakeholders concerned and/or affected by access to services and changes thereto;
- conducting client satisfaction surveys to assess service progress and the benefits enjoyed by users and to better understand their expectations and reasons for dissatisfaction;
- setting-up an external communication system to promote new solutions to public authority clients (innovation booklet, innovation meetings, participation in sustainable city events, dedicated website);
- taking into account the informal sector.

Managing consumer/user relations

Veolia proposes to manage for and with public authority clients, relations between them and the populations they serve, *i.e.* consumer services delivered by Veolia.

The "Consumer Service" center of excellence created in 2015 enables best practices to be harmonized and shared between Veolia's international business units.

The Group develops mediation initiatives with associations (specifically in France with PIMMS and VoisinMalin and in Latin America with services dedicated to relations with consumers and stakeholders, particularly in disadvantaged neighborhoods) or social support partnerships for disadvantaged groups (see Section 6.3.2 below).

Dialog with impacted local communities

Veolia implements initiatives to foster dialog with local communities and residents, including targeted information and awareness campaigns and notably neighborhood meetings, meetings with local officials and associations, tours of facilities and open days to keep the general public informed.

Taking account of the informal sector

Depending on the activities managed by the Group, the informal sector can be complementary to or in competition with Veolia, particularly in recycling. In certain cases, it represents a crucial factor in the economics of Veolia's contracts and as such, it must be taken into consideration.

- In **Djibouti**, Veolia works with the Public Roads Department to improve waste collection and processing in the city and form partnerships with the waste collection informal sector.
- In developing countries, where waste management is widely managed by the informal sector, digital technology offers opportunities to improve existing practices by structuring operating ties between different sector players (producers, collectors and customers) using digital platforms developed by local start-ups. Drawing on successful partnerships with these players, Veolia plans to copy this approach, for example to organize the collection and sorting of plastic bottles in Abidjan (Côte d'Ivoire).
- In **Colombia**, a social integration initiative for rag collectors has been set up at the *Presidente* landfill site in Cali, in partnership with local bodies. Following the implementation of an action plan to formalize the activity, 100 rag collectors received adapted training and obtained access to medical services. They have set up two recycling cooperatives, which now operate independently.
- In **Manila** (Philippines), the Veolia Foundation supports the NGO Doctors of the World (Médecins du Monde) which seeks to improve the working conditions and health of people working in waste electrical and electronic equipment recycling (WEEE).

6.3.1.4 Dialog with representatives of civil society and the academic world

The Veolia Institute: looking to the future

Since 2001, the Veolia Institute has provided insights into future trends and has developed its activities through ongoing dialog in scientific and intellectual circles and with practitioners, such as NGOs, that lead their field in the areas concerned.

Veolia Institute's 10th International Conference, "Resource availability: strategic materials for a low-carbon world", held in Oxford on November 2 and 3, was the highpoint of the Institute's actions in 2017.

The conference brought together over 200 attendees and 60 contributors to discuss the strategic material needs of a low-carbon world, limits on their availability and the solutions provided by the circular economy[1]. The conference was organized jointly with the Oxford Martin School, a multi-disciplinary research center at the University of Oxford. The School funds projects that while not conventional, could dramatically improve the wellbeing of future generations.
This exchange platform offered leading scientists and industrialists an opportunity to share their experience and solutions to the challenges facing players in the transition to a low-carbon economy, to guarantee the availability of strategic materials.

(1) All event material may be viewed at https://www.institut.veolia.org/en/what-we-do/international-conferences/resource-availability-low-carbon-world

In 2017, the Veolia Institute focused on developing its FACTS Reports journal, publishing two special issues. The first issue covered smart cities and was published in July, while the second issue dealt with artificial intelligence and robotics (English version published in December).

To promote its publications on and after issue, the Veolia Institute organizes **conference-debates** with the authors and experts in order to fuel debate and enrich discussions on the issues raised. One such event was held at Veolia's headquarters on December 19, 2017 with more than 100 attendees, focusing on the hopes and concerns surrounding digital technology, rethinking city life and presenting the FACTS Reports special issue on smart cities.

Another workshop was proposed on June 8, 2017 in Brussels during the European Commission European Development Days, on the topics raised in the FACTS Reports journal on decentralized electrification in emerging countries, published in 2016 and issued jointly with the Foundation for Studies and Research on International Development.

Remarkable partnerships

Other examples highlight partnerships based on the creation of shared value between Veolia and the academic world (*e.g.* the HEC Paris SnO (Society & Organizations) Center, Antropia and ESSEC's Institute for Innovation and Social Entrepreneurship) or civil society and the private sector (*e.g.* the "Entreprise et pauvreté" action tank, joined by Veolia Environnement in 2014 and partnerships with Ashoka and Ticket for Change involving entrepreneurial and social business projects). By promoting social entrepreneurship, these collaborations also contribute to regional economic development through dialog.

6.3.1.5 Dialog with international organizations

As a partner to international organizations, Veolia continues to cooperate with the main UN agencies, bilateral organizations and international donor agencies to give effect to the commitments made when it joined the Global Compact in June 2003, and to contribute to the achievement of sustainable development goals and the definition of international agendas for development.

The Group is one of 560 Global businesses that have obtained the "Advanced" level differentiation for its UN Global Compact Communication on Progress. To strengthen this leadership and promote this commitment among businesses, Veolia chaired the Global Compact France network "Advanced club," a collective exchange and learning platform.

Veolia mobilizes its efforts and contributes to conferences of the parties on climate change (COP).

6.3.1.6 Participation in multi-stakeholder platforms

In its commitment to multi-stakeholder platforms, such as competitiveness clusters and local and international scientific institutes, the Group seeks to achieve synergies with its regional ecosystem. Veolia is a player in partnership ventures such as Comité21, Vivapolis - Institute for sustainable cities, the French Alliance for Cities and Territorial Development (PFVT), the Greater Paris Metropolitan mission, the French partnership for water (PFE), competitiveness clusters (Montpellier Water cluster, Brittany-Atlantic Maritime cluster in Brest and the Mediterranean Maritime cluster in Toulon), the coastal conservation agency (Conservatoire du Littoral and Rivages de France), France Nature Environnement (FNE) and the *Vivant et la Ville* cluster in Versailles.

6.3.1.7 Dialog with international, European and national authorities

Veolia actively contributes to discussions, consultations and projects on changes in the management of environmental services initiated by international, European and French authorities, professional associations, think tanks and NGOs.

Pursuant to applicable regulations, these actions are implemented in keeping with its adherence to the Global Compact and within the general framework of the Group's ethics program (see Section 5.4 above). Since 2014, the Group also has a Guide to conduct for employees performing interest representative activities.

Veolia Environnement is listed in the transparency register, the European Commission and European Parliament register of interest representatives (since 2009).

In France, the Group has been voluntarily listed in the National Assembly and Senate registers of interest representatives since 2010 and 2011 respectively. In application of the obligation introduced by law no. 2016-1691 of December 9, 2016 on transparency, the fight against corruption and modernizing the economy (hereinafter the "Sapin II law"), Veolia Environnement is now listed in the digital register managed by the High Authority for transparency in public life (HATVP).

Veolia Environnement, is also a member of ARPP, the French professional association of parties responsible for relations with public authorities. This association contributes to the development of ethics in relations with public authorities and discussions led notably by the HATVP and parliamentary assemblies on developing a framework for relations with public decision-makers.

Through these listings and memberships, the Group has formally committed to adhering to the Codes of conduct applied by these various institutions.

6.3.2 CONTRIBUTE TO LOCAL DEVELOPMENT

Veolia contributes to regional appeal and dynamism. Its solutions meet the needs of local authorities and industrial companies and deal with every aspect of tomorrow's sustainable regions: smart, resilient and socially integrated living spaces where people enjoy life.

Through its sustainable development commitment, *Contribute to local development* (see Section 6.1 above), Veolia has set the following objectives:

- contribute to the economic and sociality vitality of the regions where the Group operates;
- contribute to the resilience of regions and help them rise to the challenges they face;
- develop smart solutions using digital technologies;
- establish responsible relationships with its suppliers.
- contribute to social solidarity and the fight against exclusion, notably through its foundation.

The sustainable development of the regions also involves the **creation of environmental value**. Veolia drives innovation in key areas for the green economy (water, waste and energy services). It supports its clients, helping them reduce their consumption of natural resources and carbon footprint and protect the environment and biodiversity more effectively (see Section 6.2 above).

6.3.2.1 Economic impact

The Group contributes to the economic and social development of the regions where it operates through the performance of delegated public services and the significant investments that it makes for the repair, maintenance and development of infrastructures.

Contributing to regional vitality

The jobs (mainly green jobs) generated by Veolia's activity, are, by their very nature, impossible to relocate and are largely open to low-skilled individuals. The Group therefore contributes to the growth of regions, their economies and human potential.

Veolia's involvement in regional economic development is reflected in:

- economic partnerships with numerous regional players, its local stakeholders (see Section 6.3.1 above);
- support measures for innovation and business creation with the Veolia Innovation Accelerator (VIA). This open innovation program identifies, assesses and supports the integration of innovative external solutions that add value to Veolia's services, create new services or better manage environmental risks. Veolia thereby positions itself as a technology integrator, identifying and assessing pioneering "cleantech" and "énergie-tech" start-ups and roll out the most innovative of these technologies;
- processes promoting regional social entrepreneurship such as those managed with the ESSEC Chair for Social Entrepreneurship and Innovation, Ashoka (the leading global social entrepreneur network, with 3,000 members in 80 countries) and *Ticket for change* (calls for projects, advisory and support services, premises and services, and network operation and provision), which seek to devise mechanisms to develop social entrepreneurship on a regional scale. These projects with players in the social and solidarity economy combine innovative approaches and support methods and the benefits of Veolia's regional coverage. They help inspire new entrepreneurs among beneficiaries and contribute to the performance and sustainability of companies supported.

  This is the idea behind the "Pop Up by Veolia" approach involving social company incubators launched in 2015. In partnership with local social entrepreneur incubators, the Group sponsors themed calls for projects at local level. The social entrepreneur candidates with the greatest potential are then trained, coached and networked by the incubator. They also receive the support and expertise of Veolia employees. The approach aims to forge partnerships with these incubated start-ups and jointly build and create shared value between the various regional players (public authorities, citizens, entrepreneurs, social entrepreneur players). Currently rolled-out in five regions (in France and Mexico), the initiative has supported 41 social companies (Cresus, Logicité, Koom, Bois & Compagnie, etc.) and created over 60 jobs. Veolia has a joint creation momentum with one quarter of these companies.

  The aim is to roll-out this initiative to help cities support innovative social companies, in conjunction with the Group's businesses. Its implementation is already planned in seven new regions in 2018 in France and internationally.

Local reinvestment

The majority of the Group's spending is carried out in the regions where Veolia operates.

As part of its sustainable development commitment, "Contribute to local development", Veolia has set a 2020 objective of continuing to reinvest a high proportion of expenditure in the regions (above 80%). This rate was 85.4% on average in the main geographic zones[1] at the end of 2017, compared with 84.8% in 2016.

(1) *Germany, Australia (excluding Energy), United States & Canada, France excluding Energy France (Corporate, France Water excluding capsules and SEM, RVD, SADE, SARP, SARPI, SEDE, VIGS and VWT), the United Kingdom/Ireland, Poland, the Czech Republic, Japan, China (excluding JV and Hong Kong) and Mexico. In all these countries, the VWT activity is taken into account in the calculation if it is represented. These geographic areas account for 70.6% of Group revenue.*

6.3.2.2 Regional resilience

Veolia is committed to contributing to regional resilience, by helping, at its sites, the regions meet the physical, climate, economic and social challenges facing them. It achieves this through international (100RC and Swiss Re partnerships) and local actions, in conjunction with local authorities.

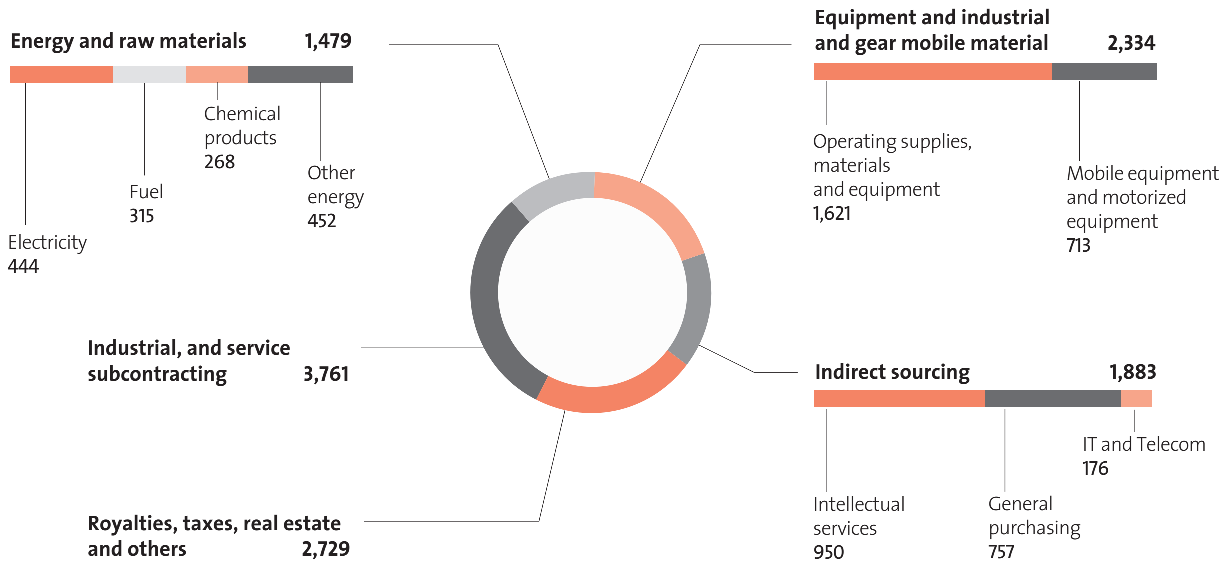
Veolia contributes to the fight against climate change, which is a major resilience challenge at international level. As early as 2014, Veolia helped prepare and stage the COP21, the 21st international conference of the United Nations Framework Convention on Climate Change (UNFCCC), which took place in Paris in December 2015, as well as the COP22 and the COP23 (see Sections 6.2.1.3 and 6.3.1.5 above).

6.3.2.3 Smart solutions

Using digital technology, smart solutions seek to improve the information provided to citizens and their comfort, and to optimize the environmental and economic performance of the services delivered by Veolia. They include solutions such as Urban Board, Urban Namics and Urban Pulse proposed to public authorities and management tools and platforms developed locally for clients. These solutions are developed internally or in partnership with digital players (start-ups and major companies such as IBM and Huawei).

6.3.2.4 Sub-contracting and suppliers

Total 2017 external spending[1] *(in € millions)*



Veolia's purchases are highly diversified and mainly structured according to the following three purchasing areas:

- **energy and raw materials,** locally sourced from domestic players or subsidiaries of international suppliers;
- **industrial and service subcontracting,** concerning maintenance, servicing and works for the Group's equipment and installations, carried out by local and small-scale players (small and medium-sized enterprises, intermediate-sized enterprises, etc.);
- **industrial and mobile equipment and gear** at the heart of the business units operated on behalf of the Group's major clients. They represent a significant portion of energy consumption and as such are measured using a full life cycle costing approach. They are mainly sourced from subsidiaries of international suppliers.

Veolia's sustainable procurement policy is based on the following three principles:

Securing commitment from Group suppliers and assessing their CSR performance

Sustainable development requirements have been progressively incorporated into supplier contracts *via* a specific clause since 2004, regularly updated. This clause commits the supplier to:

- complying with the Universal Declaration of Human Rights and the United Nations Convention on the Rights of the Child;
- complying with ethical, social and labor law requirements, particularly all applicable mandatory labor law regulations and International Labor Organization (ILO) conventions: concealed employment, child labor, forced labor, etc.;

(1) *The total of the purchasing corresponds to the sum of external spend. Are excluded the Energy entities in France, Kurion (except Asteralis), the new Waste activities in the Nordic countries, Niger, as well as the France Water capsules, the SEM entities, the international entities of Veolia Industries Global Solutions and SADE, and the joint ventures.*

- complying with the prevailing health and safety prevention policy;
- complying with regulations concerning the protection of the environment and the implementation of necessary measures to reduce its impact on the environment;
- making sure that its own suppliers and sub-contractors comply with the same obligations;
- making available and communicating its commitment policy to Veolia.

At the end of 2017, this commitment concerned 57% of active contracts in the Group's supplier contract database (59% at the end of 2016).

Veolia uses an assessment system to measure the CSR performance of its strategic suppliers. This involves a documentary audit of the supplier covering twenty-one criteria across environmental, social (human rights), ethical (corruption) and supplier relation issues.

The risk mapping, broken down by purchasing category, enables buyers to identify, analyze and rank risks for suppliers of the most exposed purchasing categories and to launch appropriate measures (*e.g.* assessments, supplier monitoring, etc.).

In the past three years, nearly 48% of the Group's strategic suppliers[1] have been assessed (*i.e.* A-rated suppliers with an annual expenditure exceeding €3 million[2] and/or which have a contract or an action plan for a business unit and/or where the latter has already been assessed).

Incorporating sustainable development into the purchasing process

- Compliance with fundamental supplier relationship principles is a selection and assessment criteria and the specific clause is therefore covered by the e-sourcing process at the start of a call for tenders. By accepting this document, suppliers undertake to comply with the Group's fundamental principles, together with applicable laws, the purchasing procedures and the Group's commitments, and, in a process of continued improvement, with Veolia's corporate social responsibility requirements (application of recommendations issued following assessments, roll-out of corrective action plans if necessary, involvement of their own suppliers and subcontractors in this approach);
- In the call for tenders, supplier risks are identified using a risk mapping by purchasing category integrating the following criteria: expense amount, impact on energy consumption, business strategy, as well as CSR criteria consistent with the Risk, Insurance and Internal Control Coordination Department's risk mapping. Used in operations to manage supplier relations, this mapping allows buyers to identify suppliers in the categories most at risk and launch the necessary risk management actions at the beginning of call for tenders.
- Veolia views the Total Cost of Ownership (TCO) as one of the best practices for responsible purchasing: it provides a long-term vision of the economic, environmental and/or social aspects of a purchase. The product is repositioned in its environment, based on its functionalities and life cycle. This vision helps to integrate supplier innovation and identify optimization levers.

Prescription solution for the replacement of pumps

To assist operating staff as well as possible and manage the renewal of its pumps, Veolia, in partnership with Greenflex, has developed a prescription solution for this equipment using a TCO approach.

This new solution, tested initially in France, enables:

- implementation and energy consumption costs to be simulated for the different pump models;
- purchasing gains to be generated by calculating the new TCO of the replaced model;
- needs to be refocused on referenced suppliers according to the prescribers requirements.

On average and depending on the framework agreements negotiated for Veolia, replaced equipment enable the Group to obtain between 50% and 70% of the total cost of a pump.

Based on these results, this solution will be progressively roll-out internationally.

Contributing to the development of the local economy

As part of the Water business partnership with the GESAT network[3] and in collaboration with water France (disability strategies), the Group Purchasing Divisions have adopted since 2013 an approach that promotes procurement from the protected workers sector (signed supported employment (ESAT)/protected workshop (EA) contracts, use of a search engine by category and region, awareness campaigns with purchase requestors, etc.). In 2017, expenditure for purchases from the protected workers sector (excluding VAT) rose again to €8.8 million (France scope).

Furthermore, an indicator is used to measure the weight of the expenditure invested in the local economy (see Section 6.3.2.1 above).

(1) Rate of 49% in 2016.

(2) Compared with €2 million in 2016.

(3) GESAT: Association created in 1982 to promote the protected and adapted employment sector and support economic players in their relations with this sector.

Veolia promotes use of the protected workers sector

Purchasing expenditure in France with the protected workers sector (€8.8 million in 2017) is one of the key indicators published in the Group's CSR performance report.

This steadily increasing expenditure demonstrates the level of involvement of Veolia players with local companies and organizations in the protected workers sector.

In 2017, for example, it led to the signature of large-scale partnerships with:

- sorting and recycling companies (partnership with the new entity, Opeslia, in the Île-de-France region);
- facility management entities (economic and inclusive management of mail for VIGS's activities).

Through these various partnerships, Veolia therefore contributes to:

- the creation of stable jobs for persons with disabilities;
- safeguarding natural and energy resources (paper recycling, energy efficiency through lower water and energy consumption, etc.).

6.3.2.5 Employment, regional development and solidarity

Veolia, a responsible employer

Through its management and human resources (see Section 6.4 below) and procurement (see Section 6.3.2.4 above) policies, Veolia is a major employer in the regions where it operates. It is also a provider of qualifications, equal opportunities and social protection for its employees and employees of partner companies and organizations (suppliers, associations, etc.).

The Company currently has 168,800 employees and acts as a responsible employer and a creator of business growth and social solidarity (employment, training and the local economy) in the regions where it operates, through:

- making **work-study contracts** a priority in external recruitment. The Group is convinced that work-study schemes are an excellent way of acquiring skills, in particular under apprenticeship and professionalization contracts (2,396 trainees in 2017);
- **reinsertion through economic activity** initiatives undertaken in conjunction with the Veolia Foundation and in partnership with professional reinsertion structures such as ARES (individuals in considerable social or professional difficulty), ADIE (micro-credit for micro-entrepreneurs without access to bank loans), Unis-Cités (Médiaterre program), Elise (collection and recycling of office waste) and the Envie network in France. The partnership with *Blue Sky* and *Job Centre Plus* in the United Kingdom supports the reinsertion of marginalized individuals and ex-offenders.
- creating pathways between the **Veolia Campus** network[1] and professionals and partners involved in training, orientation and employment to prepare young people most alienated form the workplace for the Group's businesses: "second-chance" schools, Epide, the Conseil National des Missions Locales (French national council of local community organizations) and the "reinsertion though employment" program which aims for 10% of trainees, under work-study contracts, from populations in difficulty (created at Veolia's Center-East Campus with Greater Lyon regional players). A special campus unit is dedicated to supporting operating staff implement reinsertion initiatives targeting individuals in difficulty and alienated from the workplace;
- a diversity policy and actions: fighting discrimination, supporting the employment of individuals with disabilities (see Section 6.4.4.1 below) (ESAT network in France, FIR and ONE partnerships in Gabon, etc.);
- a policy of openness towards training sectors (schools, universities): hiring of student interns (3,807 in 2017), *Trophées Performance* (performance awards), student forums and fairs;
- solidarity initiatives tailored to a specific local context: the 2014-2016 Reconciliation Action Plan (RAP) and the North West Waste Alliance in Australia aimed at Aboriginal and Torres Strait Islander peoples, the work undertaken with Kamalini and Shakti Shalini in India (domestic violence and empowerment of women), Veolia's involvement in the work of the Agencia Colombiana para la Reintegración[2], electrification and water supply for small communities in Gabon and the Companies and Neighborhoods Charter in France.

6.3.2.6 Veolia Foundation solidarity initiatives

Support for transition to work and social cohesion is one of Veolia Foundation's three priority areas. In particular, it supports initiatives and structures that encourage the return to work of people outside mainstream society (*e.g.* work sites, associations and companies that foster professional reinsertion through economic activity, training, social assistance, entrepreneurial solidarity and microcredit, etc.). The beneficiaries of these projects are primarily young people experiencing major difficulties, the long-term unemployed and people on social welfare.

(1) Veolia Campus: see Section 6.4.3.2 below or http://www.campus.veolia.com/fr

(2) Colombian Association for Reinsertion (as part of the peace negotiations between the FARC and the Colombian government).

Multi-year partnerships

Through its multi-year partnerships, the Veolia Foundation supports associations involved with the social and professional reinsertion of the most disadvantaged populations. Some of the most significant partnerships include **Elise** (protected workshops, specializing in the collection of office paper, employing people with disabilities or professional reinsertion difficulties; Elise aims to develop its activities throughout France and the Veolia Foundation is supporting its expansion and diversification), **Adie** (association financing and accompanying micro-entrepreneurs with no access to bank loans; with the Veolia Foundation's help, Adie has pledged to support 75 young entrepreneurs over three years with the creation of their businesses, by providing a personalized and very rigorous coaching program), **ESPACE** (association dedicated to reinsertion through urban ecology) and the **ARES** group (grouping of reinsertion companies assisting individuals encountering severe exclusion).

Lulu dans ma rue: local caretaking and maintenance services

The local caretaking and maintenance service, *Lulu dans ma rue*, puts those seeking occasional services (minor DIY, deliveries, materials handling, pet sitting, IT assistance, babysitting, etc.) in contact with the relevant service providers. After the feasibility study in 2014, the Veolia Foundation backed the test phase in 2015 (launch of the first local caretaking and maintenance service in Paris) followed by roll-out.

The results are extremely positive, as the "Lulus" not only increase their financial resources, but also escape isolation and draw dignity from being useful. The business model is viable and *Lulu dans ma rue* contributes to bringing life to neighborhoods. The ***Boîtes à donner*** project launched in France in 2017 with the financial support of the Veolia Foundation and the logistical assistance of Veolia, harbors the same goals.

Énergie Jeunes: initiative to fight school drop-out

The Énergie Jeunes association has developed a teaching program focused on self-discipline and keeping young people in school, delivered through a network of volunteer partner company employees. Group employees give their time to junior high school students in priority education areas in Aubervilliers and Plaine Commune, where Veolia Environnement relocated its administrative headquarters at the end of 2016.

Initiatives are adapted to grade levels and follow a precise 3-stage process enabling each student to define and then keep a specific personal commitment. Sessions are facilitated by trained volunteers, who may work for the association but are often employees of partner companies or civic service volunteers.

Veolia Foundation support will enable the associate to help over 3,000 young people from several priority education junior high schools in Aubervilliers, followed by other Plaine Commune communes.

In 2017, the Veolia Foundation continued its support of the Philharmonie de Paris (Cité de la musique) pledged over three years (€50,000 per year). Since 2005, the Veolia Foundation has supported the **Unis-Cité** association which offers young people aged between 18 and 25 conducting their voluntary civic service the opportunity to work on projects involving the fight against exclusion, the restoration of social bonds and environmental protection. The Médiaterre program seeks to provide low-income families with support in changing their behavior by teaching them eco-friendly gestures to reduce their waste, control their water consumption and reduce their bills.

In 2017, the Veolia Foundation also supported associations and companies working to help the most disadvantaged transition to work and to improve neighborhood social cohesion, including Cité solidaire, Pagabags, Institut Télémaque and Créaquartier.

6.3.3 SUPPLY AND MAINTAIN SERVICES CRUCIAL TO HUMAN HEALTH AND DEVELOPMENT

The Group provides drinking water to 96 million people, wastewater treatment services to nearly 62 million people and waste collection services to 40 million people and supplies heating to close to 8.3 million people worldwide[(1)].

Alongside its delegating authorities and partners and its industrial clients, Veolia is committed to ensuring ongoing access to the essential services of water, waste management and energy.

(1) *The number of inhabitants served takes account of inhabitants directly supplied by a distribution network operated by Veolia and inhabitants receiving water produced by Veolia but supplied by a third party. For distribution, this relates to inhabitants identified according to local practices (INSEE in France) in the region supplied. For production without distribution, the number of inhabitants supplied may be estimated from the volume sold to the distributor based on an average volume distributed per day and per inhabitant. The inhabitant data gathered and volumes sold to third parties are updated each year.*

The number of inhabitants supplied with wastewater treatment services is calculated according to the same principle, using the capacity of wastewater treatment plants in terms of population equivalents when wastewater is collected by a third party.

6.3.3.1 A major contribution to the international community's objectives

Operating worldwide, Veolia is attentive to the objectives of the international community. Its sustainable development commitment, *Supply and maintain services crucial to human health and development*, reflects Veolia's desire to contribute to the collective effort to ensure access to sustainable services.

Since the Millennium Development Goals (MDG) were defined in 2000, the Group has helped 7.9 million people in developing and emerging countries obtain access to drinking water and has connected 3.5 million people to wastewater services, particularly through its subsidized connection programs in Africa and Latin America. In 2017, 703,535 people were newly connected to drinking water services and 232,435 to the wastewater network[(1)].

Veolia remains mobilized with UN agencies to implement the new Sustainable Development Goals (SDG 2015-2030) defined by the UN General Assembly in September 2015.

While its contribution now includes other business areas and expertise (see Section 6.1.2, above), access to and maintenance of essential services remains a major factor in the Group's strategy.

The Group has developed a set of solutions tailored to the local context, ensuring everyone has access to high-quality services. ACCESS expertise (technical, financial, institutional, or societal engineering) is a good example of Veolia's strategy and commitment. It is a set of solutions initially developed for water access in Africa, which has now has been rolled-out to all countries and services. Veolia is particularly in favor of targeted policies for more disadvantaged populations and/or districts.

In developing and emerging countries, years of working with local public authorities have proven that Veolia is reliable, effective and creative and can help them develop and implement ambitious policies to effectively achieve the MDGs and SDGs. The Group has worked with numerous municipalities in these countries under contracts with specific goals and incentives to extend access to and maintain services.

In developed countries, the Group is also mindful of maintaining access to services for the poorest populations, as well as for people in situations of financial uncertainty and the homeless. In France, its *Eau pour tous* (Water for All) solidarity program enables public authorities to open up local community initiatives to all service users. It is designed to complement social or fair pricing and combines three types of assistance:

- emergency solutions to maintain access to water services by offering different forms of financial assistance appropriate to the individual's situation, such as payment schedules, debt write-off and water vouchers;
- support services to help people manage their budgets and water consumption and budget in the long term;
- prevention solutions to alert them to unusual over-consumption.

6.3.3.2 Consumer health and safety measures

Veolia provides drinking water to 96 million people around the world. With the constant concern of controlling the quality of the water produced and distributed, Veolia has established a water quality control policy in order to comply with current standards and anticipate changes using a complete range of technological solutions. This approach is based on four principles:

- **anticipating:** through scientific monitoring of emerging parameters, particularly new micropollutants such as endocrine disruptors and pharmaceutical product residues, improving analytical methods for detecting these micropollutants and assessing their effects on health;
- **monitoring:**
  - by performing more frequent and complex water analyses within shorter timescales, using standardized methods, cutting-edge equipment and qualified personnel. In 2017, regulatory compliance rates for distributed water were 99.7% and 99.7% respectively for bacteriological and physicochemical parameters,
  - by monitoring compliance of the largest distribution networks throughout the world.

  To help improve public healthcare worldwide, Veolia and BioMérieux have pooled their expertise in a research partnership set up to monitor drinking water quality. They are working together to detect microorganisms present in the natural environment or the network more quickly;
- **offering solutions** to local authorities for operational improvements and the investments required to control water quality across the entire supply chain: maintaining network water quality, safeguarding the production and distribution of drinking water and protecting resources;
- **informing populations** and ensuring an optimal response in case of accidents or crisis situations: on-call service 24/7, telephone service for responding to consumer concerns, distribution of bottled water in the event of extended service disruption, telephone warning system to advise all consumers of any restrictions on consumption and distribution points for bottled water.

Please also see Chapter 5, Sections 5.2.2.5, Operational risks.

(1) *Data obtained from the number of connections set up by Veolia to water and sanitation services, multiplied by an average number of persons per household, in 8 countries where Veolia works to provide access to such services. As data could not be obtained within the deadlines for public fountains in Gabon (data was obtained for residential connections), data at the end of 2016 was considered. This method is used for 1% of Group data.*

6.3.3.3 International solidarity actions

Solidarity is expressed in contracts through the services that the Group provides and that contribute to the common good. Combating insecurity and inequality by ensuring access to essential services for people without a water supply, water treatment services or electricity is one of the ways that Veolia is actively committed (see Section 6.3.3.1 above).

Projects carried out in numerous developing countries have shown that it is possible to reconcile service quality and accessibility and advocate respect for the human rights of the populations served (see Section 6.1.3 above).

Solidarity can also be expressed through the direct financing of causes in line with Group values (solidarity companies, associations) or by giving Veolia employees the opportunity to devote their working time to a community project, or even through service agreements entered into in France between Veolia and public authorities that form part of decentralized cooperation projects (international solidarity).

Veolia also expresses its solidarity through its Foundation.

Veolia Foundation humanitarian initiatives

Veolia Foundation's international solidarity initiatives (humanitarian emergencies and development assistance) help develop access to essential services. It provides financial support and the skills of the Group's employees (through the Veoliaforce network).

The Veolia Foundation has therefore forged numerous partnerships: with United Nations agencies (Unicef, UNHCR), major international bodies (Red Cross, Doctors of the World, Doctors Without Borders, International Solidarity Movement, Oxfam, etc.) and States. One such example is the partnership signed in 2014 and renewed on December 19, 2017, with the French Ministry for Europe and Foreign Affairs to boost efficiency when responding to emergency humanitarian situations.

Veoliaforce mission

Fighting to liberate the city of Mossoul, Northern **Iraq**, left many civilians in a critical situation. Many people were displaced and tens of thousands of inhabitants have no electricity or drinking water. The Veolia Foundation helped the French Red Cross and Qatari and Iraqi Red Crescent to deliver drinking water to the Khazer 2 refugee camp located 30 km east of Mossoul. The camp houses 2,500 families, representing around 20,000 people. Once treated, water is stored in two reservoirs with a capacity of 95 m^3 and transported daily by tanker truck to the camp. Around fifteen Iraqi Red-cross volunteers also received training to develop their skills in installing, operating and maintaining mobile water treatment units in emergency situations.

In the wake of the category 5 hurricane **Irma**, **Saint-Martin** (40,000 population in the French sector) and **Saint-Barthélemy** (nearly 9,500 population) were scenes of desolation. Numerous victims were accompanied by considerable material damage. The seawater desalination plants operated by Veolia and which provide the population with drinking water, were severely damaged. The Veolia Foundation mobilized immediately in response to this emergency, to bring water production back on line as quickly as possible and improve distribution. A mobile desalination unit was sent from Spain and ten metric tons of equipment were air-lifted. In partnership with the French Red Cross, these pipe fittings, distribution ramps, flexible reservoirs and other water storage and distribution equipment were used to create 12 fixed points connected to the general network.

At the same time, Veoliaforce volunteers took shifts in the field to help local Veolia teams find and repair pipe leaks in the general network. Nearly thirty volunteers have helped in the field since the beginning of operations. Veolia Foundation experts also helped coordinate operations at the Department Operational Center (Centre opérationnel départemental, COD) alongside representatives of the French State, local authorities, the Red Cross and network operators.

Continuing partnership with Doctors Without Borders (DWB)

In March 2015, the Veolia Foundation renewed its partnership for medical humanitarian action with the association Doctors Without Borders (Médecins Sans Frontières). It has pledged to provide MSF with Veoliaforce experts to support Research and Innovation projects on humanitarian issues in areas covered by the Veolia Group's business lines: energy, waste, wastewater treatment and drinking water. For example, a program to study wastewater treatment solutions was launched in Haiti and then rolled out to other countries in 2017. It aims to propose a quality standard for wastewater treatment that DWB could meet in its missions worldwide.

Since 2007, the Veolia Foundation has participated in a global strategy to combat **cholera** in the **Democratic Republic of Congo**. After establishing a link between the spread of the cholera epidemic and poor access to drinking water and identifying eight sources of the outbreak, mainly located near lakes in the east of the DRC, the foundation stone for rehabilitation and development work on the water distribution network was laid in Uvira in October 2017. More than 200,000 habitants of this city in the Sud-Kivu province, will ultimately benefit from stabilized access to drinking water. The London School of Hygiene & Tropical Medicine (LSHTM) is carrying out a scientific assessment of this 10-year program in the DRC from its outset, to measure its efficiency.

In 2017, the Veolia Foundation also provided support to **"100 000 vies"** to develop an anti-malaria soap; **Empow'Her**, to create Oasis, a forum for discussion and action in Niamey (Niger) dedicated to environmental protection and empowering women in Niger; **Enfants du N'dé** to supply drinking water to 9,000 inhabitants of the Bangoua and Bandiangseu villages (Cameroon) that currently have no access to drinking water; **the University of California** for a renovation program for degraded residential accommodation in Oakland. This program mainly involves renovating the energy, water and wastewater treatment systems of the housing blocks, transforming them into high-performance energy and ecological accommodation.

6.3.4 PREVENTING CORRUPTION

See Chapter 5, Sections 5.1, Risk management and internal control and 5.4, Ethics and compliance above.

6.3.5 PROTECTING PERSONAL DATA

The Group ensures it complies with European Directives and national regulations governing the protection of personal data and is preparing for the implementation of the European General Data Protection Regulation (GDPR), which enters into effect in May 2018.

6.4 Human resources

Veolia's responsibility is to ensure the well-being and fulfillment of its employees. Playing a key role in a culture that is common to all of Veolia's actions, human resources management is founded on the five principles of responsibility, solidarity, respect, innovation and customer focus. The Group's overall performance depends on its ability to attract and retain talent. To this end, Veolia endeavors, as never before, to be an employer of choice in all the regions.

Veolia has chosen to reaffirm its policy governing the Company's men and women (see Section 6.1 above), based on three major commitments:

- **Guarantee a safe and healthy work environment;**
- **Encourage each employee's professional development and commitment;**
- **Guarantee that diversity and fundamental human and social rights are respected within the Company.**

To accompany the roll-out of its policy, the Group's Human Resources Department has set up an integrated organization to serve Veolia's strategy.

Through its "Social Initiatives" approach, and working with all Group companies, the Group's Human Resources Department regularly identifies best practices. Using this approach, it is possible to identify the actions conducted in coordination with human resources priorities, to enhance them and to promote their use beyond their region of origin. The end result is a Social Initiatives Awards ceremony that recognizes initiatives in health and safety prevention, skills and talent development, social equity and diversity, human resources and business development, operating performance and social commitment. The last edition (2017) led to the publication of "Social initiatives in 2017: Innovation and cooperation, driving performance", presenting more than 90 social initiatives from 43 countries, selected from 340 initiatives.

The Group uses social reporting to monitor the roll-out of its human resources policies and their performance using the Group's social data. The human resources information presented below is extracted from this tool.

6.4.1 CHANGE IN VEOLIA WORKFORCE

Geographic breakdown of the workforce: 168,800 (√) employees as of December 31, 2017(1)

6

Geographic breakdown and change in the workforce over three years

	2015	2016	2017	Change 2017/2016
Europe	115,593	113,664	112,701	-0.8%
• Including France	51,892	50,480	50,337	-0.3%
North America	8,901	8,841	8,593	-2.8%
Latin America	11,609	12,275	12,441	1.4%
Africa - Middle East	12,417	12,686	12,375	-2.5%
Asia - Oceania	25,439	15,760	22,690	44%
TOTAL WORLD (√)	173,959	163,226	168,800	3,4%

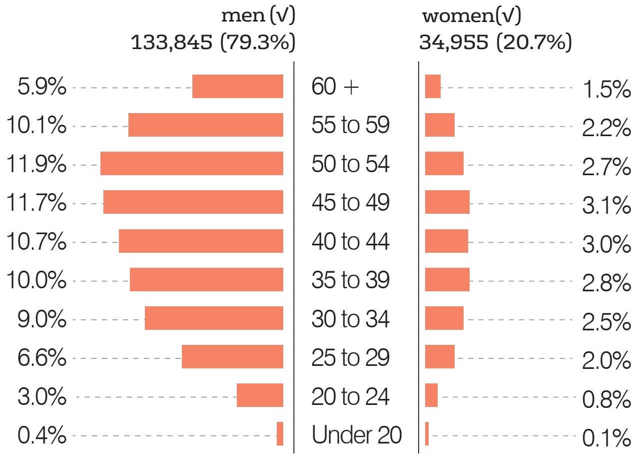
As of December 31, 2017, Veolia had a total of 168,800 employees, compared with 163,226 as of December 31, 2016.

In 2017, the workforce increased by 5,574 employees, or 3.4%, due to:

- an increase (excluding inter-company scope effects and changes in consolidation method) of nearly 15,100 employees as a result of acquisitions, new contracts and/or business development and primarily:
  - a new water contract in Armenia representing 1,800 employees,
  - acquisitions and business development in Asia generating an increase of nearly 2,700 employees. This increase is in addition to the 3,600 Japanese employees integrated into the social reporting (see Section 6.5 below),
  - business development in Latin America generating an increase in employee numbers of nearly 1,200.
- a decrease (excluding inter-company scope effects and changes in consolidation method) of nearly 8,300 employees as a result of sales of entities, employee departures or lost contracts and primarily:
  - nearly 5,000 employees in Europe, including 1,900 in France, 1,200 in Sweden and 1,100 in Lithuania,
  - nearly 1,000 employees in Latin America,
  - nearly 500 employees in the United States,
  - nearly 400 employees in the United Arab Emirates.

(1) *Excluding employees of the Chinese concessions.*

Workforce by gender and age in 2017 measured in percentage and value



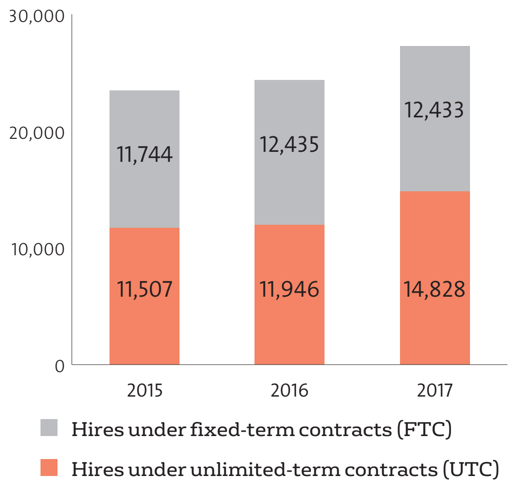
Breakdown of total workforce by type of contract and by category

	2015	2016	2017
Total workforce as of December 31	173,959	163,226	168,800 (√)
Annual full-time equivalent workforce	167,905	156,379	160,159 (√)
Share of workforce with permanent contracts - full time equivalent	91.1%	91.5%	91.9%
Total managerial staff	12.4%	12.4%	12.3% (√)
Total non-managerial staff	87.6%	87.6%	87.7% (√)

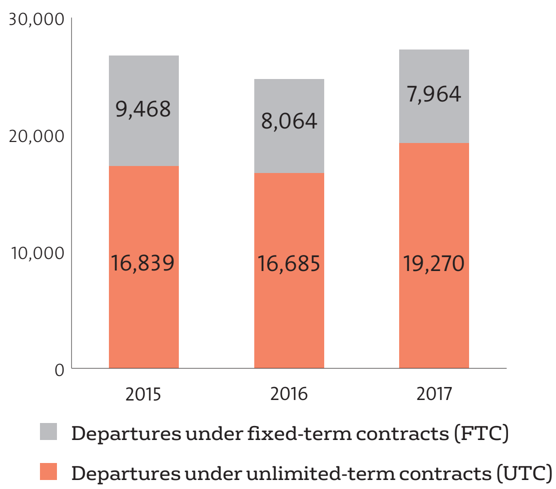
The full-time equivalent workforce corresponds to the number of employees Veolia would have had, if all employees worked full-time throughout the year. It is calculated by weighting the total workforce by both the employment rate and the amount of time worked by each employee. This represents the proportion of employee work.

Hires and departures – Permanent and fixed-term contracts

Numbers of hires



Numbers of departures



In 2017, the Group recruited 18,144 employees on the labor market. Veolia recruited 14,828 employees under permanent contracts and transformed 3,316 fixed-term contracts into permanent contracts during the year. Hirings under permanent contracts represented 54% of total external hires, including over 2,900 in France, nearly 2,000 in the United Kingdom, nearly 1,700 in the United States and over 900 in Germany. In addition, hires following a market takeover contributed 1,410 employees. The Group also hired 12,433 employees under fixed-term contracts. In 2017, 1,926 employees benefited from internal mobility. Of the total departures recorded by the Group in 2017, 13% were the result of individual dismissals and 1.3% followed collective redundancies. 2,908 departures were reccorded in 2017 following a lost market.

Changes in scope are taken into account as of the date they become effective. However, acquisitions, newly created companies or new contracts may only be included after a full year of operation.

Planned reductions in workforce and job protection schemes, and support measures

The restructuring plans implemented in 2017 most often corresponded, after a review of the various alternatives, to a reorganization that was vital for certain business units. These operations were always carried out in compliance with legislation and in consultation with labor and management representatives, and for the most part by giving priority to internal redeployment within the Group.

Accordingly, the voluntary departure plan negotiated for the France Water scope in 2016 continued in effect in 2017, with 158 departures recorded under this plan during the year. In addition, a voluntary departure plan in Poland concerned 84 employees.

Under voluntary departure plans, accompanying measures (both internal and external) shared with trade union partners, are implemented and facilitated with the constant aim of ensuring the employability of individuals, so that they may find a job as quickly as possible.

In addition, in order to adapt employee organizations and skills to economic and social changes, the Group signed a new agreement on the forward management of jobs and skills in France in 2017. This enables changes in business and skills to be anticipated by promoting training and professional mobility.

6.4.2 GUARANTEE A SAFE AND HEALTHY WORK ENVIRONMENT

6.4.2.1 Prevention, health and safety in the workplace

The prevention of health and safety risk in the workplace is an ongoing priority for Veolia. The Group is committed to ensuring its employees' physical and psychological integrity in all its businesses and installations by implementing a permanent approach.

A commitment shared at all levels of the organization

In 2013, Veolia Environnement's Chairman and Chief Executive Officer signed the Seoul Declaration recognizing the fundamental human right to a safe and healthy work environment, at the headquarters of the International Labor Organization (ILO).

Veolia is committed to promoting the continuous improvement of occupational prevention, health and safety and employee training and promoting social dialogue on these issues.

Extending to the highest level of the organization, Veolia's prevention, health and safety continuous improvement process is formalized by the commitment of the Chairman and CEO.

It is built around 5 pillars:

- **involve the entire managerial line;**
- **train and involve all employees;**
- **improve communication and dialogue;**
- **improve risk management;**
- **monitor health and safety performance.**

This process supports the efforts already initiated in this area and involves all employees, suppliers, subcontractors and joint venture partners of the Group, at all levels of the organization.

A continuous improvement process

To visibly communicate their involvement and commitment, all management levels regularly conduct safety field visits so they can discuss best practices and safe behaviors with employees. From Executive Committee members down to first-level supervisors, all managers discuss best practices and appropriate behavior with employees.

Moreover, the comprehensive assessment of management performance includes a criterion covering improved prevention, health and safety performance, as does the calculation of the variable portion of manager compensation, based on quantitative and qualitative criteria.

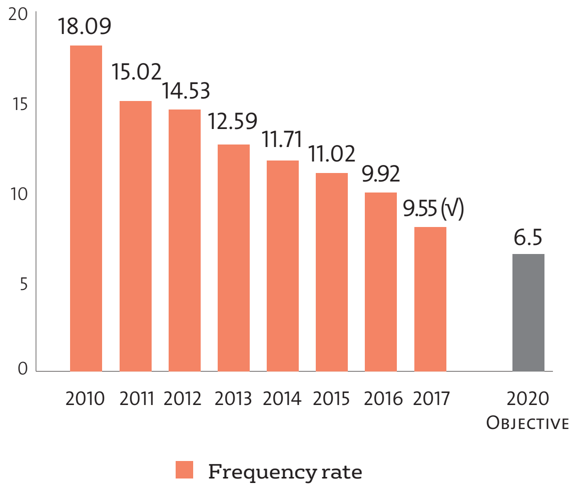
Improved frequency rate objective

As part of its sustainable development commitment, guarantee a safe and healthy work environment, the Group has set the 2020 objective of achieving an injury frequency rate of 6.5, calculated as the number of lost time injuries per million hours worked.

This commitment is shared by all and highlights a visible improvement since 2010. The frequency rate has improved significantly and continues to drop: from 18.09 in 2010 to 9.55 (√) in 2017.

These results include all Veolia entities, including those recently acquired.

8-Year trend in the injury frequency rate



International Health and Safety Week

Veolia has organized an International Health and Safety Week since 2015, to help firmly establish a health and safety culture at work. The 2017 edition focused primarily on "managing high-risk activities".

During this major event, employees, regardless of their country, region or department, can acquire a thorough understanding of risk prevention standards. This year the event highlighted five new management standards for high-risk activities (securing installations, electricity, high pressure hydroblasting, lifting operations and working at heights).

Communication tools (posters, videos, roadmap, and roll-out guide) were made available to help raise employee awareness. Objective: reduce if not eliminate risky behavior.

The resulting international mobilization enabled this week-long event to promote worldwide the people on the ground and to develop over one hundred health and safety initiatives. It also served as a lever for meeting the "zero accidents" global challenge.

A joint commitment

Stronger prevention and accident analysis are essential components of labor relations. As a result, over 37%(√) of the agreements signed in 2017 covered prevention, health and safety.

In Europe, this commitment resulted in the signature in 2012 of a letter of undertaking between management and the employee representatives on the Group's European Works Council. This commitment ensures the consistency of site initiatives in each European country where Veolia operates. The structural themes of this joint commitment include the systematic analysis of accidents, strengthened prevention in occupational health, including factors relating to hardship, and improved social dialogue on health and safety topics.

A steering body

The prevention, health and safety center of excellence, comprised of some twenty international experts, proposes prevention, health and safety strategies to the Executive Committee for approval and implementation. It coordinates Group-wide projects, creates synergies between the businesses by encouraging the sharing of best practices, and evaluates the results using performance indicators. In addition to these projects, a number of prevention, health and safety experts have been appointed across the Group to ensure the consistency of the measures applied by country and by region, as well as coordination and follow-up actions. This organization provides a structured and ongoing improvement system which, when supplemented by field visits, incorporates the cultural dimensions specific to each country.

A structured management system

The prevention, health and safety management system is based on three components:

- risk mapping as near to grassroots work situations as possible;
- an analysis of the causes and circumstances of accidents, near misses and occupational diseases;
- security audits and the monitoring of action plans.

Annual progress reports are submitted to the Executive Committee in order to verify that the actions conducted fit with the Company strategy.

In this respect, after an analysis by the health and safety center of excellence of past Veolia incidents, accidents and fatal accidents, a list of high-risk activities common to Veolia business lines was drawn up. The members of the center of excellence then defined priorities for the production of standards. The first five standards based on internal and external best practices were rolled-out in 2016. In 2017, the members of the health and safety center of excellence drafted five new standards for high-risk activities, involving internal stakeholders in this process. A roll-out plan was then communicated during the International Health and Safety Week.

In addition, Veolia has set up structured and determining prevention processes based on standards such as OHSAS 18001 and ILO OSH 2001. Every year, entities are certified, labeled or recognized worldwide for their procedures in prevention, health and safety.

On-site prevention actions

In 2017, nearly 56% of Veolia employees received safety training, and nearly 40% of training hours were devoted to safety. Suppliers are also expected to take steps to guarantee the health, safety and well-being of their employees. Accordingly, a preliminary risk analysis is performed of subcontracted activities to contractually define the prevention measures to be applied by all subcontractors. These measures are regularly audited.

Safety audits of the facilities are carried out before operations commence to detect any risk situations and propose corrective measures. The Group's facility design and building activities incorporate risk prevention mechanisms as far upstream as possible, in order to eliminate risk situations and guarantee the health and safety of future operators. In 2017, nearly 90 audits or visits were conducted on site.

Innovative local occupational health and safety practices have also been identified and shared across the Group. Several of these practices were recognized with "Social Initiatives Awards," underscoring the inclusion of health and safety aspects in the corporate human resources and social policy.

Accident prevention using the Bird pyramid

The Group is particularly attentive to employee awareness and the monitoring of near misses.

Veolia's Prevention, Health and Safety Department uses the Bird pyramid to prevent accidents. The Bird pyramid illustrates five levels of risk situations and accidents:

- near misses, unsafe acts, unsafe conditions (base of the pyramid);
- first aid injuries;
- medical treatment injuries;
- lost time injuries;
- fatalities.

The analysis of this pyramid can prevent risks upstream. The higher the number of near misses, the higher the probability that accidents will occur. Therefore, by working to reduce the number of near misses, the number of injuries will be reduced.

Monitoring of temporary staff and sub-contractors

Depending on the specific characteristics of Veolia's businesses, regulatory measures and a cultural adaptation approach are integrated into the management of stakeholders' health and safety within the Group.

Managing sub-contractors operating on Veolia sites and Veolia client sites is a vital component of the overall prevention, health and safety policy.

At Veolia Industries Global Solutions, an annual appraisal of sub-contractors is organized in conjunction with the Purchasing Department. This appraisal considers the following criteria: the OHS policy, health and safety management, risk management, OHS action plans, OHS performance indicators and certifications. Companies rated below a certain level can no longer act on behalf of Veolia Industries Global Solutions.

Veolia Water Technologies has rolled-out a booklet on work-site health and safety, explaining the minimum standards in a fun way. The aim of these guidelines is to communicate Veolia health and safety practices and expectations to service providers working on Veolia Water Technologies work-sites. The booklet provides key information for the health and safety of sub-contractor employees and to guarantee a safe, secure and healthy work environment for all employees on the site.

In the United Kingdom, a 12-minute film was made to support the sub-contractor internal management procedure. This film introduces all operators of sub-contractor companies to security issues. It communicates widely on the specific risks and health and safety rules at Veolia sites.

The film must be watched every six months and an operator working on several sites must watch the film at each new site. A questionnaire was introduced to ensure operators understand the information presented. A minimum grade of 8/10 is necessary to be authorized to enter the site. If this grade is not attained, the operator can watch the film again and retake the test. If despite spoken exchanges and watching the film twice the minimum grade cannot be attained, the sub-contractor operator will not be authorized to enter the Veolia site.

A system for monitoring temporary staff accidents was set up through annual meetings with temporary employment agencies, to define appropriate prevention measures and share best practices. In addition, sub-contractors share accident "safety" alerts with the Prevention, Health and Safety Department when accidents occur in the Veolia global scope.

Security policy

To ensure the security of Veolia employees, the Security Department has introduced a set of measures and procedures covering their temporary or permanent international assignments, particularly in areas that present a high level of security risk, as detailed in Chapter 5, Section 5.2.2.2 above.

An analysis tool for occupational disease exposure

All employees attend regular medical appointments to detect occupational diseases, with a particular focus on prevention.

To supplement the tools for identifying workstation accident situations, Veolia designed a Group tool to analyze exposure to occupational diseases. This tool is shared with the trade union and employee representatives of the Group French Works Council, and is available to all health and safety officers. It enables the Group to anticipate exposure to risk factors and define and implement a joint action plan. After its roll-out in France in 2002, this process was extended and adapted to the Group's international activities.

In 2017, 150 employees had an occupational disease. It should be noted that methods of calculating information on occupational diseases can vary due to differences in local practices and regulations.

Monitoring of health and safety indicators

Using an internal tool, accident data has been compiled on a quarterly basis since 2015. The Group has adopted a single definition of workplace accidents for all countries and subsidiaries, *i.e.*, all workplace accidents which resulted in at least one day of absence from work (lost time injuries), excluding commuting.

In 2017, the number of workplace accidents resulting in at least one day of absence from work, excluding commuting, declined by nearly 2% compared with 2016.

	2015	2016	2017
Lost time injuries (excluding commuting)	3,332	2,960	2,907 (√)
Calendar work days lost due to workplace accidents (excluding commuting) (permanent and fixed-term contracts)	163,649	162,745	165,621 (√)
Injury frequency rate*	11.02	9.92	9.55 (√)
Injury severity rate*	0.54	0.55	0.55 (√)
Number of employees trained in safety	97,609	88,751	94,552
Number of authorities dedicated to or incorporating the study of health and safety issues	2,388	1,888	1,935

* *Including the Chinese concession*

Well-being in the workplace

In France, the approach to quality of life in the workplace incorporates procedures to prevent psychosocial risk factors (stress, etc.). Employees are informed of prevention measures, particularly during the presentation of the internal survey results. A training program has been rolled-out for managers designed to assist them incorporate psychosocial risks into their managerial practice.

In addition, this process includes an ergonomic analysis of workstations, the promotion of best practices in health and nutrition, and the fight against alcoholism and drug use. Certain operations offer their employees muscle warm-up exercises before they start work.

The UK has introduced a program that offers a wide range of information sources to raise the awareness of employees and motivate them to take care of their health, and achieve a good work/life balance. In addition to providing information, numerous employee initiatives have been rolled-out: medical check-ups, awareness-raising initiatives on the dangers of tobacco or the benefits of a healthy diet, developing a physical exercise program, etc.

The health and well-being approaches are adapted to the context and maturity of the countries where Veolia operates.

6.4.2.2 Work organization

The terms and conditions governing the organization of working time depend on the companies concerned, the nature of their business and where they are located. They are defined to best meet service and client requirements.

Although most often applied to daily equivalent working time, work schedules may vary considerably (the work may be spread over four, five or six days a week, punch-in and punch-out times may be shifted, flextime may be used, as well as alternate short and long work-weeks, and working time may be calculated over the year).

The average work-week is 38.9 hours (√). This figure is stable on 2016.

In 2017, the total number of calendar days of absence was 2,315,911 (√), including 1,559,075 days of absence for sickness. Other reasons for absence were mainly workplace accidents and family events.

A total of 14,779,577 (√) overtime hours were worked, *i.e.*, an employee average of 92 overtime hours per year. The definition of overtime, however, varies from country to country, which can make it difficult to evaluate this indicator. Moreover, in a service business, a large number of overtime hours are due to emergency work performed by on-call or on-site personnel, to restore water supplies or heating within a reasonable timeframe, for example.

Trend in the absenteeism rate

	2015	2016	2017
Absenteeism rate (excluding maternity and paternity leave)	4.23%	4.43%	4.11% (√)

6.4.3 ENCOURAGE EACH EMPLOYEE'S PROFESSIONAL DEVELOPMENT AND COMMITMENT

The quality of Veolia's responses to environmental challenges and to the growing demands of public authorities and industrial entities depends on its expertise and, more generally, the performance of its labor relations model. This is why Veolia strives to attract, train, develop and retain its staff at all levels of qualification and in all areas of employment in which it operates.

6.4.3.1 Career management

The Group Human Resources Development Department seeks to attract and retain talent throughout the world and facilitate the assessment of managerial performance in order to accompany our teams and our activities. Its dual aim is to meet the skills requirements of the Group's business activities and to provide career opportunities for employees.

Employee career development is a major focus of Veolia's human resources management policy. Its implementation relies on various processes and tools.

A managerial and human resources process shared by the entire Group

The Group boasts a Talent management team with jobline correspondents focusing on employee development.

Mobility and recruitment tools

An international mobility committee	Brings together the human resources development team and the international human resources teams each month.
A career portal	Publishes all job offers in the Group.
A bi-monthly publication	Veolia JobLink traces the latest Group management and supervising jobs presented in the career portal.
A program to attract young talent	The PANGEO program offers young talent under the age of 28 an international experience of 12 to 24 months. It enables Veolia to create a multicultural incubator of employees trained in its various business lines. The program relies in large part on the International Business Volunteers (VIE) contract.

The Group uses the ECHOS process (based on peer reviews of people, organizations and structures) to define individual and collective action plans and link up the challenges faced by the entities, useful organizational changes, job mapping and the development potential of employees. This approach is based on a common Group methodology and guarantees analyses are fair and shared and adds to career development momentum within the Group.

In the Group's operations in France, the employment policy continues to be affected by the Group's sweeping reorganization, requiring the pursuit and optimization of a tight hiring management policy, as solidarity within the Group is essential. A monthly meeting dedicated to mobility in France brings together all recruitment and mobility managers.

A common model for performance appraisal

In order to ensure managers' objectives are aligned with the Group's strategy and values, a single annual interview process is used for all managers at all our sites worldwide. This document harmonizes criteria and provides a common language to define individual objectives and adapt the Group's strategy. It is also a tool to appraise performance and skills, share the Group's values and identify employee aspirations, development needs, career prospects and the actions necessary to their implementation.

Performance appraisal is based on financial, safety and qualitative objectives and takes into consideration an employee's place in the hierarchy and their position. For managers, some of the qualitative objectives are based on compliance with and dissemination of the Code of Conduct based on the Group's founding principles: responsibility, solidarity, respect, innovation and customer focus. Job safety is a priority objective for Veolia. Regardless of their position, place in the hierarchy, or working environment, all employees can contribute to achieving the zero accident objective, by communicating or preventing a dangerous situation, or avoiding accidents. This is why the single annual interview document now includes a health and safety segment in which each employee makes a personal commitment to this objective and pledges to respect it. Veolia's values naturally have their place in this objective.

A common job appraisal tool for all the Group's businesses

Following the Group's transformation and as part of the One Veolia project bringing together all the Group's businesses within a single geographic organizational structure, Executive Management decided to introduce a single classification tool for all management positions (Global Grading System, designed by the firm Willis Towers Watson).

In 2016, the absolute and relative value of 1,000 top management positions was assessed and the approach was rolled-out to all management positions in 2017.

By positioning the different positions within the organization, this tool enables objectives to be set according to their relative impact, making human resource policies more transparent and fair.

Relations with schools

Mobilizing and attracting the resources required by the Group is a key priority: Veolia affirms its presence through events focused on environmental businesses, job and work-study fairs, and forums in schools and universities. Programs like the "summer school" and the "Trophée Performance awards" are special opportunities that give international students an opportunity to discover Veolia's businesses and to adapt their course of study to the Group's challenges. The Group is continually developing and expanding its many academic, educational, institutional and research partnerships with professionals in training, counseling, employment and higher education.

The work-study option

Work-study is a key recruiting tool for helping young workers into stable employment, particularly in France, the UK and Germany. This is Veolia's route for preparing employees for the Group's jobs. Work-study ensures the transfer of knowledge and key skills and develops the resources of inter-generational teams through the network of tutors and mentors.

This policy is specifically implemented through the Veolia Campus network and a growing number of partnerships with local employment and training players. A proactive approach reaches out to the public and local employment and training partners to raise awareness of environmental activities and services and to facilitate the recruitment of candidates for local jobs, including people with no prior experience.

6.4.3.2 Skills development

Veolia has an ambitious training policy. As part of its sustainable development commitments, the Group aims to provide yearly training to over 75% of employees.

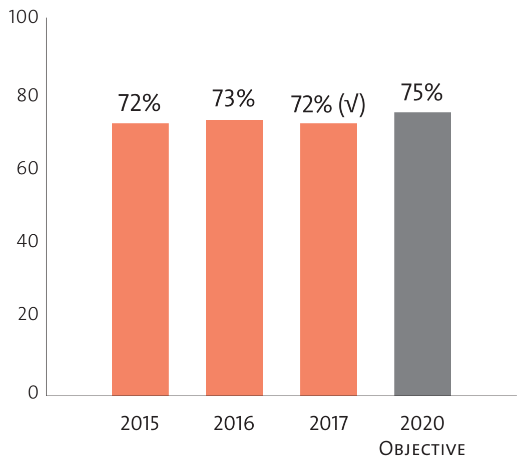
Veolia's main training challenges are to:

- accompany the Group's strategy;
- support the Group's commercial development and performance;
- continuously adapt skills to increasingly complex activities, particularly through training in new and digital technologies;
- promote career development.

A range of programs was developed by more than 545 in-house trainers and contributors based on input from corporate and business training departments and local business units. This enables the Group to offer training that is always appropriate to the reality of its businesses and what is happening in the field.

The Veolia Campus network, created in 1994, spans nine countries. It includes 14 centers, covering two-thirds of Veolia's operating territories and offering nearly 2,470 training programs.

Percentage of employees who participated in at least one training course



Training for all

The training policy is open to all employees from the time they are hired and throughout their career with the Company. It seeks to develop individuals' skills and adapt our skills to the constantly changing requirements of our businesses, through recognized courses that lead to certifications and accreditations, job mobility and career development. Over 83% of training hours are aimed at operators and technicians.

Diploma training programs

The Group offers recognized diploma and certification training programs to ensure the full recognition of skills. The purpose of this approach is motivate employees, increase their employability and allow them to acquire skills, a key competitive asset in a service business. For more than 20 years, this aim has been embodied by the creation of diploma programs dedicated to the Group's activities, at all levels of training offered in the Campus network. The French network offers 18 recognized professional diplomas, ranging from a CAP (certificate of professional aptitude) to a Master's degree and organized under work-study programs to better integrate trainees within our entities.

The UK Campus offers the possibility of 16 work-study diplomas: 12 diplomas equivalent to the CAP and 4 diplomas equivalent to the professional baccalaureate.

Veolia trains Veolia

The Group is both the main actor and the Director of its training policy. Two thirds of the training hours provided by the Veolia Campus network in France are delivered by Group employees. Striking a balance between permanent trainers and ad hoc contributors from within the Group's companies ensures the relevance of content and enhances cohesion.

At the same time, digital technology has become a key development strategy for employee training. As a result, several awareness-raising and business training courses are provided *via* e-learning or blended learning. In 2017, the Smart Growth training program was launched to train teams in the Group's key offerings and support the Group's growth strategy.

Educational partnerships

Veolia has deployed an active policy of partnerships with employment and training operators in the regions and a number of educational partnerships.

For example, the UK Campus has drawn up numerous agreements, particularly with the University of Northampton for high-level waste management training and the Institute of Leadership & Management for manager qualification programs.

In Latin America, an educational partnership agreement was signed with Valencia Polytechnic University, in Spain, in early November 2015. The agreement provides for a 3-year program and 300 training hours. This novel educational project comprises classroom and on-line training, as well as individual preparation for 150 managers.

Management programs rolled out in Northern Europe (NEST) and Asia (STREAM) are developed in partnership with Hamburg University and the EM Lyon Business School.

Manager development programs

The management offering covers all Group employees with a management role. From local manager to executives, the Group proposes programs to develop managerial skills.

Local manager development programs

Local managers are a key performance driver and tailored programs focus on the businesses and their specific requirements. These training sessions aim to increase the professionalism of local managers and perfect their skills. They are rolled out by the different Group Business Units, such as SARP and Waste solutions in France (*Recyclage et Valorisation des Déchets*).

Talent development programs

Veolia Excellence is the training program dedicated to Veolia talent. Sessions are organized in three primary areas: business models, value creation, and team management in a context of rapid and profound change. The program uses innovative training methods, with e-learning sequences, inter-session work and a post-seminar follow-up. It also includes a 360° evaluation that is debriefed by internally trained individuals. Around 110 managers participated in this program in 2017.

Leaders For Tomorrow is a training program for emerging talent in the United States and Canada. The 8-month program includes an appraisal period, individual coaching and a personalized development plan. Trainees complete the program with a project related to the Group's strategy, which they present to the Executive Committee. Nearly 120 future managers have already been trained.

Executive development programs

The Executive seminar prepares individuals for corporate management by working on a changing world and its impact on our current and future activities, and the ability to carry the values of corporate social responsibility. It is based on four study trips spread over one year and offers training conferences, the discovery of Veolia activities and numerous visits to external companies.

Programs to train managers in specific challenges

A mobile training program covering all functions has been set up for Veolia's Asia zone managers. The STREAM (Study and Training Expedition for Asian Managers) program aims to facilitate the sharing of experience and the exchange of best practices between managers within the same geographic zone. Zone visits during the various sessions are an opportunity to discover the flagship projects and industry benchmarks of each country. A similar program, known as NEST, was rolled out for the Northern Europe zone. The final program sessions are held jointly to encourage cooperation between the two zones.

The ACCELERATE! program was rolled-out jointly by the IS&T Department and the Human Resources Department in 2017. It enables international managers to strengthen their network within the Group. It also provides an opportunity to develop their managerial and leadership skills and better understand changes in their business/sector through digital technologies and agile working methods. ACCELERATE! offers an opportunity to learn more about digital technologies and understand and develop the necessary interactions with the Group's businesses, to become the business partner of other Veolia players and to see the bigger picture in order to better anticipate future challenges.

Change in worldwide training indicators

	2015	2016	2017
Number of training hours effectively given	2,889,149	2,591,151	2,675,375
Average number of training hours per employee	17.2	16.6	16.7

6.4.3.3 Manager commitment

Veolia's ambitions and strategy require consistency and cohesion. The Group's Executive Management accompanies managers in their supervisory role through a common value framework and involvement in decision-making. Veolia's efforts in this area have been confirmed through several initiatives.

Manager's Code of conduct

In order to strengthen cohesion and solidarity in the Group's general interest, Veolia established the manager's Code of conduct in 2012. This vital instrument is based on the Group's five founding values: responsibility, solidarity, respect, innovation and customer focus. For each of these values, the Code reflects the Group's collective commitment and the cooperative and individual behaviors expected of managers, which they must promote with their teams.

Manager commitment survey

As part of its sustainable development commitment, *Encourage each employee's professional development and commitment*, the Group set the 2020 objective of maintaining the manager commitment rate at over 80%.

The third Manager commitment survey was conducted in March 2017 and covered 5,000 managers. Designed as a tool to gather information on managers' perception and understanding of the Group's strategy and its implementation, the survey highlights the strengths of the Group's managerial policy and areas for improvement. The 2017 survey helped consolidate the analysis of changes, trends and replies.

The participation rate was 78%, 1 point higher than in 2015. The commitment score remains at the very high level of 86%, calculated based on replies covering work fulfillment, desire to excel, confidence in Veolia's ability to meet its ambitions, and pride in working at Veolia.

In addition, the working group set up in 2016 and bringing together the Group Human Resources Department and the Human Resources Directors in the various countries, developed a common framework of nine questions. These were included in the Group survey and the surveys conducted by countries adopting a similar approach. This will ultimately enable employee commitment to be assessed beyond the "5,000" sample.

Group action plan

The results of the 2017 manager commitment survey confirmed the Group action plan drafted in 2015. This action plan was created in line with the Group's 2016-2018 strategic plan and focuses on four priorities:

- support innovation and business momentum with our clients;
- continue to prioritize economic profitability and improving operating performance;
- emphasize cooperation to consolidate the new Veolia;
- accompany and develop talent so as to boost Group performance.

6.4.3.4 Compensation policy and employee savings

Veolia applies a comprehensive compensation policy that is consistent with the Company's results and encompasses the following components: wages, social protection, employee savings and retirement.

This policy is based on the following principles:

- offering fair compensation in line with local market practices where the Group is present;
- guaranteeing competitive fixed and variable compensation that takes account of the Company's results;
- harmonizing calculation bases and methods for variable components of executive compensation across the Group;
- optimizing coverage of healthcare and insurance costs in the main countries where the Group operates;
- harmonizing employee savings plans;
- securing existing pension plans in the various countries where the Group operates by privileging defined contribution plans.

Compensation

The annual average gross compensation for all Group employees was €32,870 in 2017.

In 2017, average gross compensation was €33,584 for men (€33,236 in 2016), and €29,853 for women (€30,000 in 2016), representing an average difference of €3,731.

This difference is due primarily to the nature of the jobs performed and their requirements, as well as differences in age, seniority and qualifications often found between the two populations. This situation is analyzed and monitored under professional equality commitments.

These averages are only indicative, however, and should be interpreted with an element of caution. They correspond to a wide diversity of situations due to the nature of the professions and jobs carried out and their geographic location and are affected by changes in the foreign exchange rate.

It is Veolia policy to respect equality between men and women who have the same employment conditions and qualifications.

Social protection

Social protection encompasses all benefits relating to healthcare costs (incurred by the employee and his or her beneficiaries) and additional healthcare and insurance coverage (employee coverage for life accidents: disability and death).

These benefits are directly managed in each country.

Because of longer life expectancies and rising medical costs, the management of social protection plan solvency has become increasingly strategic. In some countries, following the closure of public social protection systems, economic stakeholders seek to provide health, benefit and pension cover for their employees.

Due to its international scope, the Group must take these factors into account and ensure that certain basic principles are applied:

- comply with local legislation and, wherever possible, implement complementary social protection systems in order to guarantee fair coverage for all its employees;
- ensure that Company management is sound by controlling the costs associated with benefit obligations;
- fund plans through employer and employee co-investment insofar as possible so that each party assumes responsibility.

For example, 2017 contributions for the 50,337 Group employees in France totaled nearly:

- €49.7 million for healthcare costs;
- €27.5 million for additional healthcare and insurance coverage.

Profit-sharing and incentive schemes

The Group's French entities are generally covered by profit-sharing agreements when they fulfil the necessary employee and financial conditions.

In general, the Group favors extending incentive agreements in France to give employees a vested interest in the performance of the companies to which they are assigned, based on criteria tailored specifically to the business in question.

In 2017, profit-sharing and incentive payments for the French entities including Veolia Environnement, in respect of 2016, totaled €56 million. French entity employees invested €31 million of 2016 profit-sharing and incentive payments in 2017, or 55.4% of the sums distributed.

The Group's French entities added an additional contribution of €3,445 million.

At the end of 2017, 75.3% of French entity employees were covered by an incentive agreement.

Accordingly, an incentive agreement applies to all Veolia Environnement employees. This agreement, intended to give employees a vested interest in the performance of the Group and the Company, was renegotiated in 2017. Three indicators were defined for the 2017-2019 period: two financial indicators and a third indicator taking into account increased recourse in France to the protected workers sector.

Employee savings and retirement savings

Since 2002, Group employees have been able to save in the medium term with the help of their company *via* the Group savings plan (PEG).

In addition, Veolia Environnement offers its employees and the employees of its French subsidiaries under an agreement signed with labor and management partners (December 2012), access to a Group retirement savings plan ("PERCO G"). This plans allows employees who so wish to prepare for retirement under advantageous tax and social security conditions.

At the end of 2017, employee[1] savings in France in the two Group savings plans totaled €380.5 million[2] and break down as follows:

- €350 million in the PEG held by 48,155 employees,
- €30.5 million in the PERCO G held by 26,470 employees.

Company investment funds invested in Veolia shares (employee share ownership) total €148.7 million and are held in the PEG.

The different dedicated company investment funds (monetary, equity, bonds, and diversified) total €231.8 million and are held in the PEG and the PERCO G.

Employee share ownership

The last transaction took place in 2015. It was offered to approximately 111,000 employees in 20 countries (across Asia, Oceania, Europe, North America and Latin America). Subscriptions totaled 29,232, representing a subscription rate of 26.30% Group-wide, with rates in excess of 65% in several countries, including South Korea (100%), the Czech Republic (92%), Hong Kong (82%), Hungary (82%), China (80%) and Slovakia (68%). Accordingly, the total amount subscribed was €19,625,262, including the Group's additional contribution.

As of December 31, 2017, over 60,000 Group employees (*i.e.* 37% of current and former employees) were Veolia Environnement shareholders, holding 1.57% of the Company's share capital, representing €188.08 million.

Pension plans

Pension plans are directly managed in the various countries where the Group operates based on the applicable labor and tax legislation. There are two types of pension plans:

- State pension plans;
- company pension plans (defined benefit and defined contribution plans).

The Group pension plan policy is to replace defined benefit pension plans, if possible, with defined contribution pension plans that are more cost-effective.

6.4.4 GUARANTEE THAT DIVERSITY AND FUNDAMENTAL HUMAN AND SOCIAL RIGHTS ARE RESPECTED WITHIN THE COMPANY

6.4.4.1 Promoting professional equality and diversity and the fight against discrimination

Diversity policy

Diversity is a performance, credibility and equity issue for the Group. To encourage diversity, Veolia implemented a policy several years ago founded on the belief that all employees should share the values of respect and solidarity.

In the letter of commitment signed by Jean-Marie Lambert, the Group Human Resources Director, Veolia pledged to guarantee equal opportunity and recognition of individual talent, and to avoid any discrimination based on the criteria stipulated by law.

Moreover, three priorities have been defined with respect to the Group's commitments:

- guarantee fair and non-discriminatory human resources processes;
- guarantee the expansion of diversity and gender equality;
- guarantee the advancement of social dialogue and employee freedom of speech.

Diversity approach

The diversity action plan is driven by a global network of representatives who ensure that commitments are implemented, establish the diagnostics and action plans appropriate for their specific context, measure the results and highlight innovative measures that support Veolia values.

(1) And former employees.

(2) Excluding assets invested in Frozen Current Accounts of €11.3 million.

To measure the impact of its diversity actions, Veolia monitors several indicators:

- **gender equality:** the employment rate for women, the percentage of women managers, the percentage of women executives, and the percentage of women on Group company Boards of Directors, including the Veolia Environnement Board;
- **disability:** the employment rate for employees with disabilities;
- **seniors:** the employment rate for employees over the age of 55;
- **young people:** the employment rate for employees under the age of 30.

Roll-out of diversity commitments

Diversity is an integral part of our sustainable development commitments. As part of its sustainable development commitments, the Group therefore undertakes to *guarantee that diversity and fundamental human and social rights are respected within the Company*.

Numerous actions have been taken to promote Group diversity and are notably developed via the social initiatives process. In 2017, over 43 countries contributed to collecting social initiatives, with nearly 350 projects identified. Around 30 of these projects were presented in the social equality and diversity category, 13 of which are highlighted in the publication "Social initiatives in 2017: Innovation and cooperation, driving performance".

The prize in this category was presented to the United Kingdom for an initiative aimed at integrating job seekers.

Long-term partnerships

The Group is a partner and/or a member of various organizations that promote diversity and equal opportunity in the various countries where it operates, and notably the UN Global Compact since 2003.

In June 2016, Veolia partnered with the **Elles Bougent** ("Women on the Move") association, which organizes on-site meetings between female students and women sponsors, engineers or technicians. The accounts of these professionals on the reality of their career paths demonstrates that the technical trade option is open to young girls. This partnership is consistent with the actions deployed by the Group's Relations with Schools and Universities department. Veolia had 70 women sponsors in France at the end of 2017. As part of this partnership, the Group organized a national day for women in business in October 2017, to highlight the importance of strengthening the recruitment of women in technical, scientific and engineering areas.

In addition, **Elles bougent** organizes events outside France, notably for international women's day.

Veolia has also partnered with the **French Association of Diversity Managers** (AFMD).

Diversity through sport

To promote diversity, Veolia draws on sport and its values and particularly team spirit, cohesion and group success. All employees, regardless of their performance level, were invited to participate in the Diversity Race in September 2017 at the Auteuil racecourse. Veolia is involved in this event through its partnership with the French Federation of Corporate Sports (FFSE). Nearly 500 employees participated in the race.

Gender equality

To attract talented people and ensure women are present at all levels of the Group and in all its businesses, the Group has drawn up an action plan focusing on gender equality in the workplace so as to:

- develop gender equality in its operations;
- increase the number of women in the Group's executive bodies and management;
- promote gender equality in representative bodies.

To encourage diversity and gender equality in the workplace, Veolia has set itself quantified objectives:

- women to make up 40% of the Veolia Environnement Board of Directors in 2017 (legal obligation in France);
- women to make up 30% of managers in 2020;
- women to make up 25% of executives in 2020.

In 2016, Veolia Environnement met the French legal obligation that 40% of Board of Directors members must be women. Furthermore, 20.7% (√) of Group employees are women, including 26.4% (√) of managers and 15.4% of executives.

Several initiatives promoting gender equality in the workplace have been rolled out in the various countries where the Group operates:

- Veolia's internal gender equality network, WEDO, launched in 2016 and bringing together Veolia's men and women who wish to promote gender equality within the Group. Sponsored by two Executive Committee members, the network comprised more than 2,230 employees from 49 countries at the end of 2017;
- a development program entitled "Women In Leadership" launched by Veolia in North America in 2014 and progressively rolled-out in other geographic zones: Europe (United Kingdom, Ireland, Germany, Spain, Belgium), Africa (Morocco) and the Middle East. This 10-month coaching program seeks to create development opportunities for women managers in the organization. It coached 41 women in 2017.

In addition, the Group has committed to greater gender equality in its operations: in China, the Water business has rolled out a gender equality charter; in France, Jean-Marie Lambert, the Group's Human Resources Director, signed a letter of commitment to combat sexism in the workplace following a survey conducted at the end of 2016 in partnership with the Conseil supérieur de l'égalité professionnelle. Covering working relations between men and women, this survey was rolled-out to all employees in France. A message from Veolia's Chairman and CEO, Antoine Frérot, recalled the importance of this issue, which requires the collective involvement of the whole Group. Awareness-raising initiatives were implemented in several Veolia entities in 2017 when reporting the survey results.

Employment and social integration of persons with disabilities

At the end of 2017, 2.4%[1] of Veolia employees worldwide had disabilities, *i.e.* 3,537 employees. In France in 2017, this rate was 4.09%[2] and €8.8 million was spent in the protected workers sector. Veolia wishes to change people's perceptions of disability and the ways it is represented. It also seeks to accompany persons with disabilities and their integration within the life of the Company. Veolia's action strategies are as follows:

- raise the awareness of Group employees regarding disability;
- strengthen job protection for persons with disabilities and accompany them so that their disability is recognized;
- support the ergonomic adaptation of workstations;
- encourage recruitment and support employers of the protected workers sector (ESAT in France).

During the National awareness week for persons with disabilities in France, the headquarter entities, representing nearly 2,000 employees, organized actions to raise awareness of cardiovascular risks, a little known source of disability.

In 2017, Veolia in North America joined several associations which raise the visibility of job offers for persons with disabilities and encourage their recruitment.

Development of inter-generational relations

In 2017, 19.6% of the Group's workforce were seniors (over the age of 55) and 12.8% were young (under the age of 30). To prepare the Group's future, Veolia encourages its employees to profit from the knowledge of experienced seniors, as well as the latest professional skills and aptitudes of its young recruits. Veolia maintains the balance between seniors and young people through internal recruiting, mentoring, training, etc.

In Poland, Veolia Term was honored in 2015 for a program designed to facilitate the transmission of knowledge of senior employees and internal recruiting, following the 2015 social initiatives campaign.

Interculturality and religious diversity

Veolia has pledged to integrate and respect cultural differences (origin, language, nationality, etc.) within the Group's organization and operations.

Veolia Australia has developed two training programs that are offered to all employees in order to strengthen relations and respect between the community at large and the Aboriginal and Torres Strait Islander peoples. Since 2015, 675 employees have taken part in this program and Veolia has committed to hiring over 100 aboriginal workers by 2020.

In France, specifications covering managerial best practices for religious issues were rolled out in 2017 for oversight purposes and to assist human resources managers likely to face this type of situation.

Supporting the most vulnerable employees

In 2009, an Active Solidarity Plan was launched in France in consultation with the Group French Works Council to support the most vulnerable employees in a difficult economic context. This led to the launch of "Allo Solidarité," an employee counseling and support system in France set up with the help of an external partner.

Today, Group employees in France have access to a telephone platform that allows them to discuss their social challenges with professionals.

In 2017, over one hundred calls were received each month, mainly about housing and financial issues.

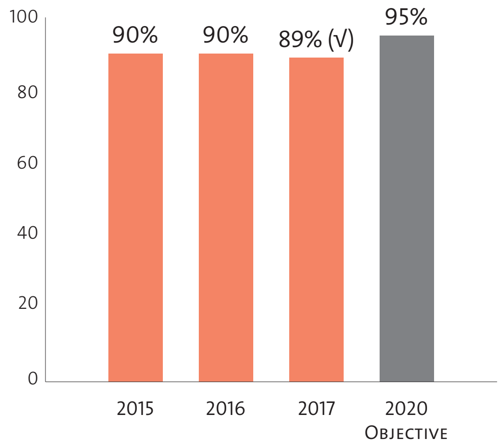
The partnership with the "Vivons Solidaires" association, set-up in September 2010, helps to tackle social emergencies. The association receives many requests for assistance with emergency housing, food donations, and children's aid. Union organizations are involved with the Board of Directors and management of this association.

6.4.4.2 Cohesion and social dialogue

Veolia is particularly vigilant about social dialogue, as it contributes to greater workforce cohesion, the implementation of human resources policies, and the Group's economic and social performance.

As part of its sustainable development commitments, the Group aims to implement a social dialogue mechanism covering 95% of its employees by 2020; more than 89% (√) were covered in 2017.

Change in the rate of coverage by a social dialogue body



In collective bargaining negotiations, Veolia draws on both direct relationships with trade union and employee representatives, as well as the joint organizations created according to the rules of each country.

(1) Number of employees with declared disabilities compared to the total workforce as of 12/31 in countries where it possible to declare disability.

(2) Number of employees with declared disabilities compared to the total workforce as of 12/31 in France

To advance the quality and development of labor relations, Veolia ensures that there is effective dialogue with employees at all levels of the organization:

- at company or site level, a natural place for negotiations on many issues that impact employees' daily lives. Within Veolia, over 1,000 labor agreements signed with business units supplement the Group Directives and agreements;
- at country level, which includes the formal consultation and dialogue structures that handle all transversal national issues;
- at Group level in the corporate offices and with the Group French and European Works Councils.

The two agreements appointing the Group French and European Works Councils were amended in 2015 to take into account the change in the Group's scope and the experience gained from the previous agreement in order to bolster and modernize the Group's labor-management relations in France and in Europe.

Overview of collective agreements

In 2017, more than 1,000 new collective agreements (√) were signed at entity or company level or with Group bodies. All of these collective agreements impact the Company's labor and therefore economic performance.

Breakdown of issues covered by signed agreements

Compensation and benefits	Health, safety and/ or working conditions (√)	Social dialogue	Skills development	Other
36%	37%	9%	5%	13%

At the end of 2017, there were 8,478 (√) employee representatives.

There were 147 strikes in 2017, representing 0.01% of the total number of days worked.

Role of the Group's committees

Veolia set up Group French and European Works Councils pursuant to a formal agreement. The terms and conditions of establishment were amended in 2015. The Group European Works Council represents more than two-thirds of Veolia employees.

The Group Works Councils are key players in Veolia's transformation. They receive information on the activity, the financial position and the employment situation. They must be informed of restructuring, acquisition or disposal plans. They are also informed and consulted each year to exchange ideas on the Group's strategic directions and their social impacts.

The agreements signed with the trade union representatives of the Group French Works Council and the commitments made under the Group European Works Council agreement demonstrate the will of the Group's Executive Management to structure unique relations with employee representatives and thus contribute to the Group's actions on behalf of all its employees.

Training of trade union partners

Training employee representatives in the performance of their duties is key to high quality social dialogue on the economic and human resources issues faced by the Group. Training representatives also recognizes the importance of Group employees and their representatives as key internal stakeholders. Members of the Group European Works Council have therefore received high-level training since 2010 to more broadly address the cultural diversity of trade unions and the plurality of Veolia's businesses and their challenges.

The French central trade union representatives can benefit from a certification training program created in partnership with Sciences Po Paris and the "Dialogues" association.

Under the 2010 Group France agreement, trade union seminars were set up by each organization in order to improve their structure and define the priorities of the Group's employee policy. These trade union seminars are renewed each year and are the subject of an open dialogue session with human resources management. The trade union bodies organized an additional seminar in 2017 on the forward management of jobs and skills (GPEC in French), to facilitate the roll-out of the Group France GPEC agreement signed on March 7, 2017 by all trade union representatives.

Group France agreements and commitments given by the Group European Works Council

- An agreement on the generation contract for the Group in France was signed on November 15, 2017 and follows on from the 2013 contract.
- A new Group France GPEC agreement was signed on March 7, 2017. In a similar bid to anticipate changes in the businesses and skills, particularly as a result of the Company's strategic direction, discussions were launched with the Group European Works Council to define 10 commitments.
- A 2015 Group France agreement clarified the means of exchanging points of view on the Group's strategic direction within employee representative bodies.
- Pursuant to the securitization law, two employee Board members were appointed in 2014 by the Group French and European Works Councils respectively.

- An agreement to review the 2012 agreement covering the set-up of a group retirement savings plan (PERCO) was signed in 2016.
- A letter of commitment was signed with the Group European Works Council on prevention, health and safety in 2012.
- The commission to monitor the France agreement on the "prevention of occupational hazards, workplace health and safety," signed in 2008 for a three-year term, was redefined and renewed by the trade union partners. The amendment formalizes the commitment shared by all to prioritize employee health and safety and prevent accidents within the Group.

Exchange of views on the 2016-2018 strategic plan

A France Group agreement on exchanging views on strategic directions within the Group's employee representative bodies was signed on April 30, 2015 by the four representative trade unions. Given the Group's growing internationalization, management and trade union representatives who signed the agreement wished to include the officers of the Group European Works Council in this measure. Each year, this exchange of views is launched during a joint session of the Group French and European Works Councils, based on a memorandum. Following this meeting, questions communicated by the joint session members to Group management are answered in writing. At the same time, direct discussions are organized between the Chairman and CEO and Group trade union representatives accompanied by the secretaries of the French and European Committees. This exchange of views is reported back to the Group French and European Works Councils at the end of the year.

CSR dashboard for the Group European Works Council

Work was carried out with the Group European Works Council in order to define social, economic and environmental indicators with a view to establishing a performance tracking dashboard covering labor relations. The CSR dashboard comprises components relating to worldwide and Europe performance, the change in workforce, frequency, attendance and absenteeism rates and the number of agreements signed in each entity. These components provide input for labor relations in the various countries.

6.4.4.3 Respect for fundamental rights

Since June 12, 2003, when it joined the United Nations Global Compact, the Group has supported and promoted the Compact's principles in its sphere of influence, particularly the protection of international law on human rights, the recognition of collective bargaining rights, and the elimination of discrimination in employment and occupations. Respect for these basic rights is a natural part of Veolia's human rights policy as described in Section 6.1.3 above, Actions taken to promote human rights.

Through these undertakings, human resources management has pledged to ensure these rights are respected in cooperation with the Group's other operational departments and all the entities.

Freedom of association and recognition of the right to collective bargaining

Veolia's commitments are fully described in Section 6.4.4.2 above, Cohesion and social dialogue.

Fight against discrimination

Veolia's commitments are set out in detail in Section 6.4.4.1 above, Promoting professional equality and diversity and the fight against discrimination.

Elimination of forced or compulsory labor

Veolia prohibits any form of forced or compulsory labor. These commitments are recalled in the Ethics Guide, in particular, the requirement to comply with fundamental international labor standards and the prohibition on the use of forced labor in all its operations.

Prohibition of child labor

Veolia strictly prohibits child labor. Minors can work in certain special cases, particularly work-study apprenticeships, but only in stringent compliance with all regulatory provisions. These commitments are listed in the Ethics Guide, in particular, the requirement to comply with fundamental international labor standards and the prohibition of child labor.

6.5 Methodology

The social and environmental information in this document has been taken from the international database that Veolia has developed for its social and environmental reporting. The societal information is taken from this same database and other Group reporting (Finance and Responsible Purchasing) or obtained from limited geographical or business areas or from departments centralized at Group level.

The indicators were chosen to monitor the following as a priority:

- performance relating to the Group's principal CSR challenges;
- effects of the Group's CSR policy;
- regulatory obligations (Article R. 225-105-1 of the French Commercial Code in France; Article 173-IV of the Energy Transition law).

Scope

Social reporting covers all companies that are fully consolidated in the Group's financial statements and the companies included in the financial statements, which the Group manages operationally and which are located in all the countries where the Group has employees. Since 2016, to ensure consistency with the financial reporting scope, the Chinese concessions are no longer included in the social reporting, except for the indicators defined for sustainable development commitments. Hence, injury frequency and severity rates, the rate of employees who participated in at least one training course and the rate of coverage by a social dialogue organization were calculated including the Chinese concessions which represented 10,123 employees as of December 31, 2017. Note that all 2015 data includes the Chinese concessions.

In Japan, the 3,600 employees tasked with reading water meters are now included in employee monitoring and therefore in the social reporting scope in 2017.

In 2017, employees absent during the entire year for reasons other than occupational disease or following a workplace accident are deducted in calculating the number of calendar days of absence. They are also excluded from the calculation of the full-time equivalent (FTE) workforce.

The method of consolidating the rate of employees having participated in at least one training course (including the rate of training sessions focusing on security issues) was modified in 2016. For each entity, the maximum workforce taken into account is the year's full-time equivalent workforce. Published data for 2015 takes into account this new formula. This change to a more stringent consolidation method maintains the objective of training over 75% of employees.

Environmental reporting covers activities linked to the operation of public water and wastewater treatment services, waste collection, transfer and processing activities, as well as industrial cleaning and maintenance and energy services (heating and cooling systems, industrial utilities and energy services to buildings). Within this scope, the reporting covers all activities over which the Group exercises operating control. Excluded activities in 2017 are estimated at approximately 5% of revenue and are split between those relating to the operation of industrial water facilities that still need to be integrated into the reporting (particularly France and Canada) and low environmental impact activities that were not integrated (support functions, design offices and training institutions).

Within this scope, environmental and social information taken from the Group's dedicated information system is fully consolidated regardless of the consolidation rate in the financial statements.

Societal reporting covers the same scope as that of the social and environmental reporting for the data included in one of these reportings, as stated in the societal reporting guidelines. Societal reporting also covers specific scopes due to the nature of the indicators and sources from which the data originates. In this case, the specific nature of the information is stated with the presentation of the indicator.

In calculating the indicator monitoring commitment six (number of people connected), people connected to water or wastewater treatment networks by Veolia continue to be included in this indicator after the termination of the related contracts.

The data collected covers the period from January 1 to December 31, 2017.

Guidelines

Where there is no recognized and relevant external reporting reference framework, the Group has defined its own reporting procedures, drawn from best practices and draft international standards, that describe the methodology used for compiling, measuring, calculating, checking, analyzing and consolidating data. The environmental and societal reporting guidelines are available in French and English for the entities and on the Veolia website (www.veolia.com). The social reporting reference framework is available for the entities in French, English, German, Spanish and Portuguese.

Consolidations and control

The Group uses a software package to conduct automated checks on entities. The data is consolidated and checked by the Group's business units and the Corporate Human Resources Department, and the Technical and Performance Department for the social and environmental indicators respectively. The societal indicators that are not taken from the social or environmental reporting are consolidated and checked by the management/entity concerned (Finance, Purchasing, Foundation) and subsequently by the Sustainable Development Department.

All the information published by the Group in Chapter 6 has been subject to a specific external review. For fiscal year 2017, the indicators identified by the symbol (√) were checked with a reasonable level of assurance.

Methodological limits

It is important to note that there may be methodological limits to the indicators due to the following:

- lack of harmonization between national and international legislation;
- heterogeneous nature of the data managed and the variety of tools in the Group's many subsidiaries;
- changes in definition that may affect the comparison of indicators;
- specific characteristics of labor laws in certain countries;
- practicalities of data collection;
- availability of source data on the reporting date.

The indicators should be interpreted with caution, in particular averages, since the figures comprise worldwide data that requires a more detailed analysis at the level of the geographical zone, country or business line concerned.

As the methane production of landfill sites cannot be measured on site, it is modeled using the IPCC TIER 2 methodology. The model is recalculated annually based on the following parameters for each site: historic tonnage (since the site's opening if available), climate data (rainfall, temperature, etc.) and the standard composition of incoming waste (Modecom, Gas Sim, IPCC, etc.).

6.6 Report by one of the Statutory Auditors, appointed as independent third party, on the consolidated human resources, environmental and social information included in the management report

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended December 31, 2017

To the Shareholders,

In our capacity as Statutory Auditor of Veolia Environnement Company, (the "Company"), appointed as independent third party and certified by COFRAC under 3-1049[(1)], we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31, 2017, included in the management report (hereinafter named "CSR Information"), pursuant to article L. 225-102-1 of the French Commercial Code *(Code de commerce)*.

Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R. 225-105-1 of the French Commercial Code in accordance with the guidelines used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the Company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics *(Code de déontologie)* of our profession and the requirements of article L. 822-11-3 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements and applicable legal and regulatory requirements.

Statutory Auditor(s)'s responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R. 225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information);
- at the request of the Company, express reasonable assurance, that information selected[(2)] by the Group and identified by the symbol √ in the Chapter 6 of the management report is fairly presented, in all material respects, in accordance with the Guidelines (Reasonable assurance on a selection of CSR information).

However, it is not our responsibility to pronounce on the compliance with the relevant legal provisions applicable if necessary, in particular those envisaged by article L. 225-102-4 of the French Commercial Code (Duty of care) and by the law n ° 2016-1691 of December 9, 2016 known as Sapin II (fight against corruption).

Our work involved nine persons and was conducted between October 2017 and March 2018 during about a twenty week period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the order dated May 13, 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement and with ISAE 3000[(3)] concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R. 225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, *i.e.*, the Company, its subsidiaries as defined by article L. 233-1 and the controlled entities as defined by article L. 233-3 of the French

(1) "whose scope is available at www.cofrac.fr"

(2) See the list of indicators presented in Appendix 1.

(3) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Commercial Code within the limitations set out in the methodological Note, presented in 6.5 Section of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted around fifty interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important, presented in Appendix 1:

- at consolidation level, including the parent company, subsidiaries and controlled entities, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities selected by us, presented in Appendix 2, the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 45% of headcount considered as material data of social issues and between 47% and 51% of environmental data considered as material data[1] of environmental issues and between 52% and 100% of the societal data considered as material data[2] of societal issues.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the Company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

3. Reasonable assurance on a selection of CSR Information

Nature and scope of our work

For the information selected by the Group and identified by the symbol √, our audit consisted of work of the same nature as described in paragraph 2 above for CSR information considered the most important, but in more depth, particularly regarding the number of tests.

The selected sample represents 45% of headcount considered as material data of social issues and between 42% and 61% of quantitative environmental information identified by the symbol √ published.

We consider that this work enables us to express a conclusion of reasonable assurance for the information selected by the Group and identified by the symbol √.

Conclusion

In our opinion, the information selected by the Group and identified by the symbol √ is fairly presented, in all material respects, in compliance with the Guidelines.

Paris La Défense, March 13, 2018
French original signed by:
KPMG S.A.

Philippe Arnaud *Partner* *Sustainability Services*	Karine Dupré *Partner*

(1) *See the list of environmental indicators presented in Appendix 1*
(2) *See the list of societal indicators presented in Appendix 1*

6

Appendix 1

Quantitative information

HR & Safety indicators	Level of assurance
Headcount at 31/12 (breakdown by gender, work category, age and geographical area)	Reasonable
Total annual headcount full time equivalent (FTE)	
Percentage of women in the headcount and in the executive	
Frequency rate of work accidents with sick leave	
Severity rate of work accidents with sick leave	
Number of work accidents with sick leave (excluding the journey to and from work)	
Work days lost due to work accidents (excluding the journey to and from work)	
Absenteeism rate	
Work days lost due to absenteeism	
Weekly work time (in hours)	
Number of overtime hours	
Annual amount of working days per employee	
Average number of working days per week for a full time employee	
Percentage of employees having received at least one training during the year	
Number of collective agreements signed	
of which number of collective agreements related to health, safety or work conditions	
Total number of staff representatives	
Coverage by a social dialogue organization	
Total number of departures	Limited
Of which number of individual and collective redundancies	
Hours of training	

Environmental indicators	Level of assurance
Direct greenhouse gases emissions (Scope 1)	Reasonable
Indirect greenhouse gases emissions (Scope 2)	
Greenhouse gases emissions reduced	
Greenhouse gases emissions avoided	
Capture rate of the methane on sites in operation and post-operation	
Total energy production (electrical and thermal)	
Total energy consumption (electrical and thermal)	
Material recovery rate of treated waste	
Yield of drinking water networks	
Treatment yield (COD and BOD5) on wastewater treatment plants with a capacity greater or equal to 100,000 Population Equivalent	
% of sites with strong biodiversity stakes which has realized a diagnostic and deployed an action plan	Limited
Revenue related to circular economy	

Societal indicators	Level of assurance
Percentage of approved suppliers assessed on their CSR performance Percentage of contracts integrating sustainable development requirements Amount of purchasing in France made with the protected and adapted work sector Population having access to drinking water and wastewater services Percentage of purchasing reinvests on territories Number of partnership based on shared-value creation	Limited

Qualitative information

Human resources topics	Level of assurance
Organisation of social dialogue including information procedures, consultation and negotiation with the employees Occupational health and safety conditions Measures implemented to promote equality Policies implemented regarding training	Limited

Environmental topics	Level of assurance
The organization of the Company to integrate environmental issues and, if appropriate, the assessments and certification process regarding environmental issues Measures of prevention, recycling, reuse, other forms of recovery and disposal of waste Adaptation to consequences of climate change Significant greenhouse gas emissions items generated as a result of the Group's activity, particularly by the use of goods and services they provide	Limited

Societal topics	Level of assurance
Territorial, economic and social impact of the Company activity regarding regional employment and development Conditions of dialogue with stakeholders Actions of partnership and sponsorship Importance of subcontracting and consideration, in the relationship with subcontractors and suppliers of their social and environmental responsibility Other actions implemented to promote Human Rights	Limited

Appendix 2

Sample of selected entities

Human resources and environmental information	SADE France RVD Nord Normandie RVD Île-de-France RVD Rhin Rhône Veolia Energy Italy Veolia Energy Poland Veolia Energy Czech Republic Veolia Energy Morocco Veolia Waste Mexico
Human resources information	UES Eaux de Marseille UES Veolia Water Veolia Water Germany Veolia Energy Germany Veolia Waste Germany Veolia Waste United Kingdom
Environmental information	Water France – Mediterrannée Water France – Nord-Ouest IDF Veolia Energy USA Veolia Water USA Veolia Water China
Societal information	Veolia Headquarter (France)

7

CORPORATE GOVERNANCE

Information from the Annual Financial Report is clearly identified in the table of contents by the pictogram AFR

7.1 Members of the Board of Directors AFR

7.1.1 MEMBERS OF THE BOARD OF DIRECTORS AND POSITIONS AND OFFICES HELD BY DIRECTORS AND NON-VOTING MEMBERS *(CENSEURS)*

With the exception of the Directors representing employees, the members of the Board of Directors are elected by shareholders at General Shareholders' Meetings at the recommendation of the Board, which, in turn, receives proposals from the Nominations Committee. Board members may be removed at any time pursuant to a decision of the General Shareholders' Meeting. With the exception of Directors representing employees, each Director must hold at least 750 registered shares in the Company.

Finally, the Company's Board of Directors also includes a representative from the Company's Works Council, who attends the Board of Directors' Meetings in a non-voting advisory capacity.

Changes in the composition of the Board of Directors and its Committees are presented in Section 7.2.1.2 and Section 7.2.2 below of this Chapter.

7.1.1.1 Profile of the Board of Directors as of December 31, 2017

17
Directors

66.6%
Independent Directors(1)

2
Directors representing employees

60
Average age of Directors

5
Non-French Directors

40%
female Directors(1)

(1) Excluding Directors representing employees in accordance with the AFEP-MEDEF Code.

7.1.1.2 Members of the Board of Directors as of December 31, 2017

	Age	Independent	Number of years on the Board	Expiry of current office	Individual attendance rate	Committees: Accounts and Audit	Nominations	Compensation	Research, Innovation and sustainable development
Antoine Frérot Chairman and Chief Executive Officer	59		7	2018 GSM	100%				
Louis Schweitzer Vice-Chairman	75		14	2019 GSM	100%		● (Chairman)	●	
Homaira Akbari	57	✦	2	2019 GSM	100%	●			
Jacques Aschenbroich	63	✦	5	2020 GSM	100%	●			● (Chairman)
Maryse Aulagnon Senior Independent Director	68	✦	5	2019 GSM	83.3%		●	● (Chairman)	
Daniel Bouton	67		14	2018 GSM	100%	●		●	
Caisse des dépôts et consignations, represented by Olivier Mareuse	54		5	2021 GSM	83.3%				
Isabelle Courville	55	✦	1	2020 GSM	83.3%	●			●
Clara Gaymard	58	✦	2	2019 GSM	83.3%			●	●
Marion Guillou	63	✦	6	2021 GSM	83.3%			●	●
Pavel Páša (1) ✪	53		3	October 2018	100%				●
Baudouin Prot	66		14	2019 GSM	100%				
Qatari Diar Real Estate Investment Company, represented by Nabeel Al-Buenain	47	✦	7	2018 GSM	16.6%				
Nathalie Rachou	60	✦	5	2020 GSM	100%	● (Chairman)			
Paolo Scaroni	71	✦	11	2021 GSM	100%		●		
Guillaume Texier	44	✦	1	2020 GSM	100%				●
Pierre Victoria (1) ✪	63		3	October 2018	100%	●		●	
Paul-Louis Girardot ▲	84	N/A	-	2018	-				
Serge Michel ▲	91	N/A	-	2020	-				
NUMBER OF MEETINGS IN 2017					6	4	4	4	3
AVERAGE ATTENDANCE RATE IN 2017					90.2%	80%	91.7%	87.5%	83.3%

● Chairman ● Member ▲ Non-voting member *(censeur)* ✪ Director representing employees.
✦ Independent pursuant to AFEP-MEDEF Code independence criteria, as assessed by the Board of Directors.
N/A: not applicable.

(1) Director representing employees, not taken into account when calculating independence percentages pursuant to Article 8.3 of the AFEP-MEDEF Code (see Chapter 7, Section 7.2.1.1 below).

7.1.1.3 Positions held by Directors and non-voting members *(censeurs)*

The positions and offices held by the Directors and non-voting members *(censeurs)* stated below are current as of December 31, 2017 based on updated or known information as of the date of filing of this Registration Document with the French Financial Markets Authority (AMF):

ANTOINE FRÉROT

Chairman and Chief Executive Officer and Director of Veolia Environnement*

59 years old
French

Date of first appointment:
May 7, 2010

Date of reappointment:
April 24, 2014

Expiry of current office:
2018 GSM

Born on June 3, 1958 in Fontainebleau (France), **Antoine Frérot** is a graduate of the École Polytechnique (class of 1977), engineer at the Ponts et Chaussées corps and holds a doctorate from the École Nationale des Ponts et Chaussées.
He started his career in 1981 as a research engineer at the Central Research Office for French Overseas Departments and Territories. In 1983, he joined the Center for Study and Research of the École Nationale des Ponts et Chaussées as a project manager and then served as assistant director from 1984 to 1988. From 1988 to 1990, he was head of Financial Transactions at Crédit National. In 1990, Antoine Frérot joined Compagnie Générale des Eaux as a project manager and, in 1995, became Chief Executive Officer of CGEA Transport. In 2000, he was appointed Chief Executive Officer of CONNEX, the Transport Division of Vivendi Environnement, and a member of the Executive Committee of Vivendi Environnement. In January 2003, he was appointed Chief Executive Officer of Veolia Eau, the Water Division of Veolia Environnement*, and Senior Executive Vice President of Veolia Environnement*. In November 2009, he was appointed Chief Executive Officer, and in December 2010, Chairman and Chief Executive Officer of Veolia Environnement*.

Principal positions held outside the Company – Other offices

In France:
- Managing Director of Veolia Eau – Compagnie Générale des Eaux [VE];
- Director of Transdev Group;
- Director of Société des Eaux de Marseille [VE];
- Chairman of the Veolia Environnement Foundation [VE];
- permanent representative of Veolia Environnement* on the Board of Directors of Institut Veolia Environnement [VE];
- Director of Paris Île-de-France Capitale Économique;
- Director of the Société des Amis du Musée du quai Branly;
- Chairman of the non-profit organization Envie;
- Chairman of the non-profit organization Centre d'Arts Plastiques de Royan;
- Director of CNER, the Federation of French investment and economic development agencies;
- Director of the non-profit organization Amis de la Bibliothèque Nationale de France;
- Chairman of Institut de l'entreprise.
- Director of the non-profit organization Anciens élèves de l'École Polytechnique (l'AX).

Positions or offices expired in the last five years

In France:
- Vice-Chairman of the Strategy Board of Institut de l'Entreprise (non-profit organization);
- Director of Veolia Énergie International [VE] until 10/07/2016;
- member of the A and B Supervisory Boards of Dalkia [VE] (formerly Dalkia holding) until 07/25/2014;
- Chairman of the Supervisory Board of Dalkia France [VE] until 07/24/2014;
- Chairman of Campus Veolia Environnement [VE] until 05/05/2014;
- Chairman of VE France Régions [VE] until 04/12/2014;
- Chairman of the Board of Directors of Veolia Water [VE] until 11/19/2013.

Outside France:
- member of the Management Board of Veolia Environmental Services North America [VE] (United States) until 05/15/2014.

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
* *: listed company*
VE *: Group company*

LOUIS SCHWEITZER

Director of Veolia Environnement*; Vice-Chairman of the Board of Directors, Chairman of the Nominations Committee; Member of the Compensation Committee

75 years old
French

Date of first appointment:
April 30, 2003

Date of reappointment:
April 22, 2015

Expiry of current office:
2019 GSM

Louis Schweitzer is a graduate of the Institut d'Études Politiques (IEP) in Paris. A graduate of the École Nationale d'Administration (ENA) and Inspector of Finance, he was chief of staff for Laurent Fabius (who was successively junior Budget Minister, Minister for Industry and Research and Prime Minister) from 1981 to 1986. In 1986, he joined Renault's senior management team and then successively held the positions of head of Planning and Management Control, Chief Financial and Planning Officer and Deputy Chief Executive Officer. He was appointed Chief Executive Officer of Renault in December 1990, then Chairman and Chief Executive Officer in May 1992 until April 29, 2005, when he was appointed Chairman of the Board of Directors of Renault. Mr. Schweitzer did not seek to renew his term of office as a director of Renault at the May 6, 2009 Annual General Meeting. After being appointed Vice-Chairman of the Veolia Environnement* Board of Directors on November 27, 2009, he was Senior Independent Director of the Company from May 16, 2012 to November 30, 2017 and was again appointed Vice-Chairman on May 14, 2013. He served as Commissioner General for Investment from April 23, 2014 to the end of 2017.

Principal positions held outside the Company – Other offices

Principal positions held outside the Company:
- Chairman of Initiative France.

Other offices and positions exercised in any company/entity:

In France:
- member of the Board of the National Political Science Foundation;
- Director of the Société des Amis du Musée du quai Branly;
- Chairman of the Board of Directors of Festival d'Avignon;
- Chairman of the Board of Directors of Maison de la culture MC 93;
- member of the Board of Directors of BPI France.

Positions or offices expired in the last five years

In France:
- Commissioner General for Investment;
- Senior Independent Director of Veolia Environnement* until 11/30/17;
- Chairman of the Veolia Environnement* Compensation Committee until 11/30/17;
- member of the Board of Musée du Quai Branly;
- Chairman of the French Foreign Affairs Council;
- Director of L'Oréal*;
- Director of BNP Paribas*.

Outside France:
- member of the Advisory Board of Allianz* (Germany);
- member of the Advisory Board of Bosch (Germany).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
** : listed company*
VE : Group company

HOMAIRA AKBARI

Independent Director of Veolia Environnement*; Member of the Audit and Accounts Committee

57 years old
American

Date of first appointment: **April 22, 2015**

Expiry of current office: **2019 GSM**

Homaira Akbari has a Ph.D. in particle physics from Tufts University and an MBA from the Carnegie Mellon University in the United States. She has held several executive positions in Microsoft Corporation, Thales Group, TruePosition, Inc., a subsidiary of Liberty Media Corporation and the Cambridge Strategic Management Group. From 2007 to 2012, she served as Chief Executive Officer of SkyBitz, Inc., the leading provider of remote asset tracking and security solutions, specializing in real time decision-making tools. Homaira Akbari is currently Chief Executive Officer of AKnowledge Partners, LLC, a global advisory firm providing high-impact consultative strategies, solutions and advice to leading Fortune 1000 US companies and private equity firms operating in the Internet of Things (IoT), security, Big Data and analytics sectors.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- President and Chief Executive Officer of AKnowledge Partners (United States).

Other offices and positions exercised in any company/entity:

Outside France:

- Director of Landstar System Incorporation* (United States);
- Director of Gemalto NV* (Netherlands);
- Director of Banco Santander* (Spain).

Positions or offices expired in the last five years

Outside France:

- Director of Covisint Corporation* (United States).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
** : listed company*
VE : Group company

JACQUES ASCHENBROICH

Independent Director of Veolia Environnement*; Chairman of the Research, Innovation and Sustainable Development Committee; Member of the Audit and Accounts Committee

63 years old
French

Date of first appointment: **May 16, 2012**

Date of reappointment: **April 21, 2016**

Expiry of current office: **2020 GSM**

Jacques Aschenbroich, is an engineering graduate of the Corps des Mines. He held several positions in the French civil service and served on the Prime Minister's staff in 1987 and 1988. He then moved into industry, working in the Saint-Gobain Group from 1988 to 2008. After managing the Group's subsidiaries in Brazil and Germany, he took over the management of the Flat Glass Division of Compagnie de Saint-Gobain and went on to become Chairman of Saint-Gobain Vitrage in 1996. From October 2001 to December 2008, he was Senior Vice-President of Saint-Gobain, managing the Flat Glass and High Performance Materials sectors starting in January 2007, and managed the Group's operations in the United States as Chief Executive of Saint-Gobain Corporation and General Representative for the United States and Canada from September 1, 2007. He was also Director of ESSO S.R.F until June 2009. He was appointed Director and Chief Executive Officer of Valeo* in March 2009, followed by Chairman and Chief Executive Officer on February 18, 2016.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Director and Chairman and Chief Executive Officer of Valeo*.

Other offices and positions exercised in any company/entity:

In France:

- Director and member of the Accounts Committee of BNP Paribas*;
- Chairman of the Board of Directors of École Nationale Supérieure des Mines ParisTech.

Positions or offices expired in the last five years

In France:

- Chairman of Valeo Finance;
- Chairman of Valeo Service.

Outside France:

- Chairman of Valeo SpA (Italy);
- Chairman of Valeo (UK) Limited (United Kingdom);
- Director of Valeo Service España, SA (Spain).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
** : listed company*
VE : Group company

MARYSE AULAGNON

Independent Director of Veolia Environnement*; Senior Independent Director; Chairman of the Compensation Committee; Member of the Nominations Committee

68 years old
French

Date of first appointment:
May 16, 2012

Date of reappointment:
April 22, 2015

Expiry of current office:
2019 GSM

Maryse Aulagnon is Founder and Chairman of Affine group, consisting of two property companies listed in Paris and Brussels specializing in commercial real estate. She holds a Master's degree in economics and is a graduate of the Institut d'Études Politiques (IEP) and of the École Nationale d'Administration (ENA). She is an honorary Maître des Requêtes of the Conseil d'État (1975 to 1979). After holding various positions at the French Embassy in the United States (1979-1981) and on the staff of several French ministers (Budget and Industry), she joined the Compagnie Générale d'Électricité Group (now Alcatel) in 1984 as Director of International Affairs. She then joined Euris as Deputy Chief Executive Officer when it was created in 1987. In 1990 she founded Affine group, which she has led since then. She has also been a member of the Supervisory Board of the BPCE banking group (Banques Populaires Caisses d'Epargne) since December 2010 and a director of Air France-KLM* (Chairman of the Audit Committee) since July 2010. Finally, she is also active in a number of professional associations (including Fondation Palladio, FSIF, founding member of Cercle 30, etc.), as well as cultural and university organizations (including Fondation des Sciences-Po, Le Siècle, Terrafemina).

Principal positions held outside the Company – Other offices

Principal position held outside the Company:
- Chairman and Chief Executive Officer of Affine R.E.*

Other offices and positions exercised in any company/entity:

In France:
- Director of Air-France KLM*;
- member of the Supervisory Board of BPCE (Banques Populaires Caisses d'Epargne) Group;
- Chairman and Chief Executive Officer of Mab-Finances, Affine group;
- representative of Affine R.E.* and Mab-Finances on the Boards of various entities of the Affine group.

Outside France:
- representative of Affine R.E., Chairman of Banimmo*, Affine group (Belgium);
- Director of Holdaffine BV, Affine group (Netherlands).

Positions or offices expired in the last five years

In France:
- representative of Promaffine on the Boards of various entities of the Affine group.

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
* : *listed company*
VE : *Group company*

DANIEL BOUTON

Director of Veolia Environnement*; Member of the Audit and Accounts Committee; Member of the Compensation Committee

67 years old
French

Date of first appointment:
April 30, 2003

Date of reappointment:
April 24, 2014

Expiry of current office:
2018 GSM

Daniel Bouton holds a degree in political science. He is a graduate of the École Nationale d'Administration (ENA) and was an Inspector of Finance. He has held several positions in the French Ministry of Economy, Finance and Industry, including Budget Director, from 1988 to 1991. In 1991, he began working at Société Générale, serving as Chief Executive Officer from 1993 and as Chairman and Chief Executive Officer from 1997. He was appointed as Chairman of the Board of Directors of Société Générale in May 2008, and resigned from his duties as Director and Chairman of the Bank in May 2009. He founded a consulting company, DMJB Conseil, and became its Chairman in November 2009.

Principal positions held outside the Company – Other offices

Principal positions held outside the Company:
- Chairman of DMJB Conseil;
- Senior Advisor of Rothschild & Cie Banque.

Other offices and positions exercised in any company/entity:
None.

Positions or offices expired in the last five years

In France:
- Chairman of the Veolia Environnement* Audit and Accounts Committee until 11/30/17.

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
* : *listed company*
VE : *Group company*

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CAISSE DES DÉPÔTS ET CONSIGNATIONS

Director of Veolia Environnement*

Date of first appointment: **March 15, 2012**

Date of reappointment: **April 20, 2017**

Expiry of current office: **2021 GSM**

Caisse des dépôts et consignations, established in 1816, is a public establishment carrying out tasks of general interest. As such, it is a long-term investor seeking to contribute to the growth of companies.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: None. Other offices and positions exercised in any company/entity: In France: Director of CNP Assurances*; Director of Compagnie des Alpes*; Director of Egis SA; Director of FSI; Director of Icade*; Director of La Poste; Director of Oseo SA; member of the Supervisory Board of SNI; Director of Transdev Group.	None.

OLIVIER MAREUSE

Permanent representative of Caisse des dépôts et consignations on the Board of Directors of Veolia Environnement*

54 years old
French

Olivier Mareuse, graduated from the Institut d'Études Politiques (IEP) in Paris in 1984 and from the École Nationale d'Administration in 1988. He joined CNP Assurances in 1988 as an assistant director in the financial institutions department. In 1989, he was named Technical and Financial Vice President in the collective insurance department and subsequently worked as a special assistant to the Chief Executive Officer of CNP Assurances between 1991 and 1994. From 1993 to 1998, he worked as Vice President of Strategy, Management Control and Shareholder Relations and was responsible for the company's initial public offering. He was then appointed Vice President of Investments, a post he held until 2010. In October 2010, he was appointed deputy Chief Financial Officer (CFO) of the Caisse des dépôts Group, followed by CFO on December 15, 2010. He is Director of Savings Funds at Caisse des dépôts Group since September 1, 2016. He is a member of the management committees of Caisse des dépôts and the CDC Group.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: • Director of Savings Funds at Caisse des dépôts et consignations Group. Other offices and positions exercised in any company/entity: In France: • Director of Icade*; • Director of CNP Assurance*; • Director of CDC International Capital; • member of the Group Executive Committee and Pubic Institution Executive Committee of CDC; • Director and office bearer of the French Association of Institutional Investors.	In France: • Director of AEW Europe; • Director of CDC Infrastructure; • Director of Société forestière de la CDC; • permanent representative of CDC on the Board of Directors of Qualium Investissement; • Director of CDC GPi. Outside France: None.

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
** : listed company*
VE : Group company

ISABELLE COURVILLE

Independent Director of Veolia Environnement*; Member of the Audit and Accounts Committee; Member of the Research, Innovation and Sustainable Development Committee

55 years old
Canadian

Date of first appointment:
April 21, 2016

Expiry of current office:
2020 GSM

Isabelle Courville graduated in engineering physics from École Polytechnique Montréal and in civil law from McGill University. She was active for 20 years in the Canadian telecommunications industry. She served as President of Bell Canada's Enterprise Group and as President and Chief Executive Officer of Bell Nordiq. From 2006 to 2013, she joined Hydro-Québec where she served as President of Hydro-Québec TransEnergie and eventually as President of Hydro-Québec Distribution. Since 2013, she has been Chair of the Board of Laurentian Bank of Canada. She is also a Board member of Canadian Pacific Railway and SNC Lavalin*. She sits on the Board of the Canadian Institute of Corporate Directors and the Institute for Governance of Private and Public Organizations.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: • Chairman of the Board of Directors of Laurentian Bank (Canada). Other offices and positions exercised in any company/entity: In France: • Director of Gecina*. Outside France: • Director and Chairman of the Compensation Committee of Canadian Pacific Railway (Canada); • Director and Chairman of the Governance and Ethics Committee of SNC Lavalin* (Canada).	Outside France: • President of Hydro-Quebec Distribution (Canada); • President of Hydro-Quebec TransEnergie (Canada).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
* *: listed company*
VE *: Group company*

CLARA GAYMARD

Independent Director of Veolia Environnement*; Member of the Compensation Committee; Member of the Research, Innovation and Sustainable Development Committee

58 years old
French

Date of first appointment:
April 22, 2015

Expiry of current office:
2019 GSM

Clara Gaymard is a graduate of the Institut d'Études Politiques (IEP) in Paris and of the École Nationale d'Administration (ENA). She held several senior civil service positions between 1982 and 2006. Before entering ENA, Clara Gaymard started her career at Paris City Hall in the mayor's office between 1982 and 1984. On leaving ENA, she joined the French Court of Accounts as an auditor and was promoted to Senior Audit Commissioner in 1990. She was then Deputy head of Economic Expansion Services in Cairo (1991-1993), followed by head of the European Union office (Europe North-South Department) in the External Economic Relations Department (DREE) of the French Economy and Finance Ministry. In June 1995, she was asked by Colette Codaccioni, the Minister of Solidarity, to become her chief of staff. Clara Gaymard was then Deputy Director of SME Support and Regional Action in the DREE (1996-1999) followed by head of the SME mission (1999-2003). In 2003 she was appointed Ambassador-at-large for international investment and President of the Invest in France Agency (AFII). In 2006, Clara Gaymard joined General Electric (GE) as Chairman of GE in France and then of the North-West Europe region from 2008 to 2010. While remaining Chairman and Chief Executive Officer of GE France, she was appointed Vice-Chairman of GE International for Government Sales and Strategy in 2009 and then in 2010, Vice-Chairman for Governments and Cities under the chairmanship of Jeffrey R. Immelt. Since 2013, she has participated in the acquisition of Alstom's energy business and played a major role in its completion. On February 1, 2016 she joined RAISE, as a co-founding partner with Gonzague de Blignières.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: • co-founder of RAISE. **Other offices and positions exercised in any company/entity:** **In France:** • Director of Danone*; • Director of LVMH Moët Hennessy - Louis Vuitton*; • Director of Bouygues*; • Director of Sages.	**In France:** • Vice-Chairman of the Board of Directors of Fondation du Collège de France; • Chairman of GE France; • Chairman of the American Chamber of Commerce in France; • Member of the Board of Directors of the French American Foundation.

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
* *: listed company*
VE *: Group company*

MARION GUILLOU

Independent Director of Veolia Environnement*; Member of the Compensation Committee; Member of the Research, Innovation and Sustainable Development Committee

63 years old
French

Date of first appointment:
December 12, 2012

Date of reappointment:
April 20, 2017

Expiry of current office:
2021 GSM

Marion Guillou is a graduate of the École Polytechnique (class of 1973), holds a PhD in Food Sciences, and is a General Engineer in bridges, water and forestry engineering, and a member of the Academy of Technology. She headed the Ministry of Agriculture food safety directorate from 1996 to 2000. She led the National Institute of Agronomic Research (INRA) for four years (2000-2004) before being appointed as its Chairman and Chief Executive Officer (2004-2012), where she helped guide research on agriculture, food, environment and international openness (2004-2012). She also chaired the French National Consortium for agriculture, food, animal health and the environment (2010-2015). She has been a Special State Advisor since June 2017.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:
- special State Advisor.

Other offices and positions exercised in any company/entity:

In France:
- Chairman of the Board of Directors of Agreenium, the French Institute of Agronomics, Veterinary Science and Forestry.
- Director of BNP Paribas*.
- Director of Imerys*;
- member of the National Council of the Legion of Honor;
- member of the Board of Directors of IHEST;
- member of the Board of Directors of Universcience.

Outside France:
- member of the Board of BIOVERSITY.

Positions or offices expired in the last five years

In France:
- Director of Apave;
- member of the French Research Strategic Council;
- Chairman of the French National Consortium for agriculture, food, animal health and the environment;
- Chairman and Chief Executive Officer of INRA;
- Chairman of the Board of Directors of École Polytechnique;
- Chairman of a joint agriculture and climate change research initiative (JPI FACCE);
- member of the Supervisory Board of Areva, representing the French State;
- member of the Board of the National Political Science Foundation;
- Chairman of the adjudication panel of the Toulouse Excellence Initiative (IDEX).

Outside France:
- member of the Board of CGIAR;
- member of the FAO HLPE.

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
** : listed company*
VE : Group company

PAVEL PASA

Director representing employees of Veolia Environnement*; Member of the Research, Innovation and Sustainable Development Committee

53 years old
Czech

Date of first appointment:
October 15, 2014

Expiry of current office:
October 15, 2018

Pavel Pása has been a Veolia employee since 1995. He is the health and safety expert for the Czech company, Severočeské vodovody a kanalizace, a.s[VE], a specialist in wastewater treatment.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:
None

Other offices and positions exercised in any company/entity:
None.

Positions or offices expired in the last five years

In France:
- member of the Veolia[VE] European Works Council
- Officer of the Veolia[VE] European Works Council.

Outside France:
None.

* : listed company
VE : Group company

BAUDOUIN PROT

Director of Veolia Environnement*

66 years old
French

Date of first appointment:
April 30, 2003

Date of reappointment:
April 22, 2015

Expiry of current office:
2019 GSM

Baudouin Prot is a graduate of the École des Hautes Études Commerciales (HEC) and of the École Nationale d'Administration (ENA). From 1974 to 1983, he was successively Deputy Director to the Prefect of the Franche-Comté region, Inspector of Finance at the French Treasury and Deputy to the General Director of Energy and Raw Materials at the Ministry of Industry. He joined Banque Nationale de Paris in 1983, where he held various positions before being appointed Executive Vice-President in 1992 and Chief Executive Officer in 1996. After being appointed Director and Executive Vice-President of BNP Paribas in March 2000, he was named Director and Chief Executive Officer of BNP Paribas in June 2003. He was appointed Chairman of the Board of Directors of BNP Paribas on December 1, 2011, a position he held until December 1, 2014. He is currently a Senior Advisor at Boston Consulting Group and Partners Group.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:
- Senior Advisor at Boston Consulting Group (France);
- Senior Advisor at Partners Group (France).

Other offices and positions exercised in any company/entity:

In France:
- Chairman of the Supervisory Board of Foncia;
- Director of Kering*;
- Chairman of the BNP Paribas Emergency & Development Fund.

Outside France:
- Director of BGL BNP Paribas (Luxembourg);
- Director of Finastra (United Kingdom).

Positions or offices expired in the last five years

In France:
- Chairman of the Board of Directors of BNP Paribas*;
- member of the French Banking Federation Executive Committee;
- Director of Lafarge*.

Outside France:
- Director of Pargesa Holding SA* (Switzerland);
- Director of Erbé SA (Belgium);
- member of the Institute of International Finance (United States);
- Vice-Chairman of the International Monetary Conference – IMC;
- member of the Monetary Authority of Singapore (MAS) International Advisory Panel (Singapore);
- member of the International Business Leaders' Advisory Council (IBLAC) of the City of Shanghai (China).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
* : listed company
VE : Group company

QATARI DIAR REAL ESTATE INVESTMENT COMPANY

Independent Director of Veolia Environnement*

Date of first appointment: **May 7, 2010**

Date of reappointment: **April 24, 2014**

Expiry of current office: **2018 GSM**

Qatari Diar Real Estate Investment Company is wholly-owned by Qatar Investment Authority, the sovereign fund of the State of Qatar. The Fund is a large-scale class investor in development and property and operates in twenty countries in the Middle East, Africa and Europe. Qatari Diar has total investment funds of more than SAR90 billion.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: None. Other offices and positions exercised in any company/entity: Outside France: • Director of Barwa Real Estate (Qatar).	None.

NABEEL AL-BUENAIN

Permanent representative of Qatari Diar Real Estate Investment Company on the Board of Directors of Veolia Environnement*

47 years old
Qatari

Nabeel Al-Buenain holds an engineering degree from Lamar University (Beaumont, Texas). He joined Qatar Petroleum in 1995 and has held various positions and responsibilities including senior engineer in charge of installations, head of technical services for the Ras Laffan seawater cooling project, Chairman of the technical and commercial valuation teams for projects developed by Nakhilat and Director of Ras Laffan port expansion projects. From June 2011 to December 2014, he was executive Director of the Qatar New Port Project, before returning to Qatar Petroleum. With 20 years' experience in managing a wide range of projects, all delivered on time and budget, Mr. Al-Buenain was appointed Vice-Chairman of the Board of Directors of Qatari Diar Real Estate Investment Company in January 2017 and Chairman and Chief Executive Officer of the Group in April 2017.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: • Group Chief Executive Officer of Qatari Diar Real Estate Investment Company (Qatar).	None.

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
* *: listed company*
VE *: Group company*

NATHALIE RACHOU

Independent Director of Veolia Environnement*; Chairman of the Audit and Accounts Committee

60 years old
French

Date of first appointment:
May 16, 2012

Date of reappointment:
April 21, 2016

Expiry of current office:
2020 GSM

Nathalie Rachou is a Senior Advisor at Rouvier Associes. She graduated from the École des Hautes Études Commerciales (HEC) in 1978 and spent the first part of her career at Banque Indosuez (now Crédit Agricole). After working as a foreign exchange dealer for clients in London and Paris from 1978 to 1982, she was head of Asset and Liability Management and Market Risk Management until 1986, and then set up the bank's business on MATIF and the bank's derivatives broking subsidiary. From 1991 to 1996, she was General Counsel for Banque Indosuez, then served from 1996 to 1999 as head of Global Foreign Exchange and Currency Options worldwide. In November 1999, she founded Topiary Finance, a United Kingdom based asset management company, which she led until 2015. She has been a non-executive Director of Société Générale since 2008 (Chairman of the Risks Committee and member of the Audit and Internal Control Committee) of Altran Technologies since 2012 (Chairman of the Audit Committee) and of Laird Plc since 2016 (member of the Audit Committee and the Nominations Committee). Finally, she has been a French foreign trade advisor since 2001 and is a member of the Cercle d'Outre-Manche and a trustee of the Dispensaire Français in London.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: • Senior Advisor at Rouvier Associés. Other offices and positions exercised in any company/entity: In France: • Director, Chairman of the Risks Committee and Member of the Audit and Internal Control Committee of Société Générale*; • Director and Chairman of the Audit Committee of Altran Technologies*. Outside France: • Director and member of the Audit Committee and the Nominations Committee of Laird Plc* (United Kingdom).	Outside France: • Founder and Managing Director of Topiary Finance Ltd. (United Kingdom).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
** : listed company*
VE : Group company

PAOLO SCARONI

Independent Director of Veolia Environnement*; Member of the Nominations Committee

71 years old
Italian

Date of first appointment:
December 12, 2006

Date of reappointment:
April 20, 2017

Expiry of current office:
2021 GSM

Paolo Scaroni holds a degree in economics from Bocconi University in Milan and an MBA from Columbia Business School in New York. Following a year with McKinsey & Company after earning his MBA, he held various positions with Saint Gobain between 1973 and 1985, ultimately heading the "flat glass" division. In 1985, Paolo Scaroni became Chief Executive Officer of Techint, while at the same time holding the positions of Vice President of Falck and Executive Vice President of SIV, a joint venture between Techint and Pilkington plc. He became Chief Executive Officer of Pilkington plc in 1996 and held that position until May 2002. After serving as Chief Executive Officer of Enel from 2002 to 2005, he became Chief Executive Officer of Eni in June 2005. He has been Deputy Chairman of Rothschild Group since June 2014.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: • Deputy Chairman of Rothschild Group. Other offices and positions exercised in any company/entity: Outside France: • member of the Board of Directors of Columbia Business School (United States); • member of the Board of Directors of Ingosstrakh* (Russia); • Chairman of Giuliani S.p.A (Italy).	Outside France: • Vice-Chairman of London Stock Exchange Plc* (United Kingdom); • member of the Board of Directors of Assicurazioni Generali* (Italy); • Chief Executive Officer of ENI* (Italy); • member of the Board of Directors of Fondazione Teatro alla Scala (Italy).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
** : listed company*
VE : Group company

GUILLAUME TEXIER

Independent Director of Veolia Environnement*; Member of the Research, Innovation and Sustainable Development Committee

44 years old
French

Date of first appointment:
April 21, 2016

Expiry of current office:
2020 GSM

Guillaume Texier is a graduate of École Polytechnique and Corps des Mines. He started his career with the French civil service, notably as an Advisor to the Minister of the Environment and the Minister for Industry. He joined the Saint-Gobain group in 2005 as Vice President of Corporate Planning in Paris and was subsequently appointed General Manager of gypsum activities in Canada, Vice President of the roofing materials activity in the US and Vice President of the ceramic materials activity worldwide. He has been Chief Financial Officer of Compagnie Saint-Gobain* since January 1, 2016.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: • Chief Financial Officer of Compagnie de Saint-Gobain*. **Other offices and positions exercised in any company/entity:** None.	None.

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
** : listed company*
VE : Group company

PIERRE VICTORIA

Director representing employees of Veolia Environnement*; Member of the Audit and Accounts Committee; Member of the Compensation Committee

63 years old
French

Date of first appointment:
October 15, 2014

Expiry of current office:
October 15, 2018

Pierre Victoria is a graduate of the Institut d'Études Politiques (IEP) in Paris and holds a Master's degree in law. He is currently the Director of Sustainable Development for Veolia. He joined the headquarters of Veolia Eau-Compagnie Générale des Eaux in 2001 after holding sales and administrative positions with Veolia Eau-Compagnie Générale des Eaux in western France for twelve years. He is also the General Representative of the Cercle français de l'eau and a member of the French trade union CFDT.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal positions held outside the Company: • General Representative of the Cercle français de l'eau; • Treasurer of the non-profit organization Association pour la défense des intérêts français en Asie Pacifique (ADIFAP). **Other offices and positions exercised in any company/entity:** **In France:** • employee representative of the Board of Directors of Fondation d'entreprise Veolia Environnement; • associate professor at Sciences Po Rennes; • Director of Vigeo Eiris; • Director of Comité 21.	**In France:** • Director of Seureca VE; • representative of founder members of the Veolia Environnement Foundation VE.

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
** : listed company*
VE : Group company

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PAUL-LOUIS GIRARDOT

Non-voting member *(censeur)*

84 ans
84 years old
French

Date of first appointment:
April 24, 2014

Expiry of current office:
2018

Paul-Louis Girardot served as Director and Chief Executive Officer of Vivendi until 1998. He focused principally on developing the Veolia Environnement Group's utilities concessions, particularly in the water sector. In addition, he contributed significantly to Vivendi's activities in the telephone sector, in particular mobile telephones. He also worked to expand the Veolia Environnement* Group's business in the energy sector and in the decentralized production of electric power (cogeneration), through the Dalkia subsidiary. He has been Chairman of the Supervisory Board of Veolia Eau-Compagnie Générale des Eaux since 2001. He was appointed to the position of non-voting member (*censeur*) by the Board of Directors at its March 11, 2014 meeting, taking effect at the end of the April 24, 2014 General Shareholders' Meeting for a period of four years and expiring at the end of the 2018 General Shareholders' Meeting.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Chairman of the Supervisory Board of Veolia Eau-Compagnie Générale des Eaux [VE].

Other offices and positions exercised in any company/entity:

In France:

- Director of Société des Eaux de Marseille [VE];
- Chairman of the Supervisory Board of Compagnie des Eaux et de l'Ozone [VE];
- Vice-Chairman of Institut Veolia Environnement [VE].

Positions or offices expired in the last five years

In France:

- Director of Veolia Environnement*;
- member of the Supervisory Board of Dalkia France [VE];
- member of the A and B Supervisory Boards of Dalkia SAS [VE];
- Director of Veolia Propreté [VE];
- Director of Veolia Water [VE].

* : *listed company*
VE : *Group company*

SERGE MICHEL

Non-voting member *(censeur)*

91 years old
French

Date of first appointment:
April 21, 2016

Expiry of current office:
2020

Serge Michel has spent his entire career in the construction and public works sector. After having held the position of Executive Vice-President with Compagnie de Saint-Gobain and been Chairman of Socea, he chaired the SGE group until 1991 and the CISE group until 1997. He served as Executive Vice-President of Compagnie Générale des Eaux until 1992. Chairman of Soficot until 2016, Serge Michel is currently Chairman of SM Conseil. He was appointed to the position of non-voting member (*censeur*) by the Board of Directors at its March 8, 2016 meeting, taking effect at the end of the April 21, 2016 General Shareholders' Meeting for a period of four years and expiring at the end of the 2020 General Shareholders' Meeting.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Chairman of SM Conseil.

Other offices and positions exercised in any company/entity:

In France:

- Director of SARP Industries [VE];
- member of the Supervisory Board of Société des Eaux de Trouville Deauville et Normandie [VE];
- permanent representative of CEPH on the Board of Directors of SEDIBEX [VE];

Positions or offices expired in the last five years

In France:

- Chairman of Soficot SAS;
- Director of Veolia Environnement*;
- Director of Orsay Finance 1;
- Director of Infonet Services;
- Chairman of Carré des Champs-Élysées;
- Director of LCC SA;
- Chairman of CIAM;
- Permanent representative of EDRIF on the Supervisory Board of Veolia Eau-Compagnie Générale des Eaux VE;
- Chairman of Société Gastronomique de l'Étoile;
- Chairman of Groupe Épicure;
- Chairman of Les Joies de Sofi.

* : *listed company*
VE : *Group company*

7.1.2 RENEWALS PROPOSED TO THE GENERAL SHAREHOLDERS' MEETING OF APRIL 19, 2018

At the recommendation of the Nominations Committee, the Board of Directors' meeting of March 6, 2018 decided to recommend the renewal by the Combined General Meeting of April 19, 2018 of the term of office as Director of Mr. Antoine Frérot, for a period of four years expiring at the end of the 2022 Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2021. Subject to the approval of this resolution by the Combined General Meeting of April 19, 2018, the Board of Directors will appoint Mr. Antoine Frérot as Chairman and Chief Executive Officer of the Company for the duration of his term of office as Director. The reasons for this appointment are set out in Section 7.3.1 below.

The renewal or replacement of the terms of office of Mr. Daniel Bouton and Qatari Diar Real Estate Investment Company, represented by Mr. Nabeel Al-Buenain, expiring at the end of the Shareholders' Meeting of April 19, 2018, is not proposed.

7.1.3 CONVICTIONS, BANKRUPTCIES, CONFLICTS OF INTEREST AND OTHER INFORMATION

Based on statements made by the members of the Board of Directors to Veolia Environnement, there are, to the best of the Company's knowledge, no family ties among the members of the Company's Board of Directors and, during the last five years: (i) no member of the Board of Directors of Veolia Environnement has been convicted of fraud; (ii) no member of the Board of Directors has been involved in a bankruptcy, receivership or liquidation proceedings; (iii) no statutory or regulatory authority (including designated professional organizations) has made any official public accusation and/or imposed a penalty on these persons; and (iv) no director has been forbidden by a court from holding a position as a member of a Board of Directors or of a Management or a Supervisory Body of a publicly held company or from participating in the management or business operations of a publicly held company.

To the best of the Company's knowledge, no conflicts of interest exist at Veolia Environnement Board of Directors or Executive Management level, with the exception of Caisse des dépôts et consignations, represented by Olivier Mareuse, with respect to Transdev Group, in which Caisse des dépôts et consignations holds 70% of the capital. In addition to the provisions of the French Commercial Code concerning regulated agreements, the Board of Directors' internal regulations provide that directors must inform the Board of Directors of any existing or potential conflicts of interest and abstain from voting in any situation where such a conflict of interest exists. No service agreements providing for the grant of benefits exist between a director or the Chief Executive Officer and the Company or its subsidiaries.

No arrangement or agreement has been signed with the Company's principal shareholders, customers or suppliers pursuant to which a member of the Board of Directors has been selected as director or to hold an Executive Management position in the Company.

Finally, to the best of the Company's knowledge, the members of the Board of Directors have not agreed to any restrictions on their ability to transfer any stake they may hold in the share capital of Veolia Environnement, with the exception of the provision in the Articles of Association stipulating that each director must own at least 750 registered shares of the Company.

7.2 Activities of the Board of Directors and its Committees AFR

7.2.1 ACTIVITIES OF THE BOARD OF DIRECTORS

7.2.1.1 Corporate Governance principles and the AFEP-MEDEF Code

The Company applies a corporate governance Code in accordance with the provisions of the French Commercial Code and as part of the listing of its shares on the Euronext Paris regulated market.

It is recalled that the Company's Board of Directors confirmed that the Company follows the AFEP-MEDEF Corporate Governance Code of listed corporations (hereinafter the "AFEP-MEDEF Code") (http://www.afep.com/publications/code-afep-medef/).

In accordance with the "comply or explain" rule introduced by Article 2.7.1 of the AFEP-MEDEF Code, the Company notes that no recommendations of this Code were disregarded in fiscal year 2017.

7.2.1.2 Change in the composition of the Board of Directors

In accordance with the AFEP-MEDEF Code, Article 11 of the Company's Articles of Association provides for a four-year term of office for directors and the renewal of the offices of one quarter of Board members.

Changes in 2017

The Combined General Meeting of April 20, 2017 notably renewed the terms of office as director of Caisse des dépôts et consignations, represented by Mr. Olivier Mareuse, Mrs. Marion Guillou and Mr. Paolo Scaroni for a four-year period expiring at the end of the General Shareholders' Meeting that will be called to approve the financial statements for the fiscal year ending December 31, 2020.

Date of GSM	Expiry of term of office	Renewal	Appointment
April 20, 2017	None	Caisse des dépôts et consignations, represented by Olivier Mareuse Marion Guillou Paolo Scaroni	None

The Board of Directors' Meeting of November 6, 2017, at the recommendation of the Nominations Committee, appointed Mrs. Maryse Aulagnon as Senior Independent Director from December 1, 2017 to replace Mr. Louis Schweitzer, who continues to exercise his duties of Vice-Chairman.

Proposed changes in 2018[1]

As part of the annual renewal of the Board of Directors, at its meeting of March 6, 2018, the Board of Directors formally noted the expiry of the terms of office of three Directors (Mr. Antoine Frérot, Mr. Daniel Bouton and Qatari Diar Real Estate Investment Company, represented by Mr. Nabeel Al-Buenain) at the end of the Shareholders' Meeting on April 19, 2018 and that Mr. Daniel Bouton and Qatari Diar Real Estate Investment Company did not seek the renewal of their terms of office at the end of this Shareholders' Meeting.

At the recommendation of the Nominations Committee, the Board of Directors' meeting of March 6, 2018 decided to recommend the renewal by the Combined General Meeting of April 19, 2018 of the term of office as Director of Mr. Antoine Frérot, for a period of four years expiring at the end of the 2022 Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2021. In addition, the Board took due note that Mr. Paul-Louis Girardot would not seek the renewal of his term of office as a non-voting member *(censeur)* at the Combined General Meeting of April 19, 2018.

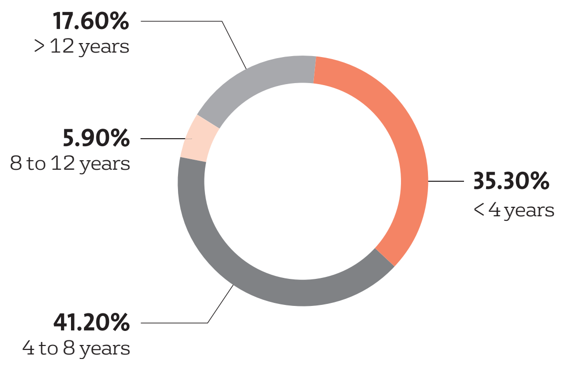
Following this proposed renewal, and subject to its approval by the Shareholders' Meeting of April 19, 2018 and taking account of the non-renewal/non-replacement of Mr. Daniel Bouton and Qatari Diar Real Estate Investment Company, represented by Mr. Nabeel Al-Buenain, the Board of Directors would have fifteen members, including two Directors representing employees and six women (*i.e.* 46%[2][3]), as well as one non-voting member *(censeur)*.

(1) Subject to approval by shareholders at the Combined General Meeting of April 19, 2018.

(2) In accordance with Article L. 225-18-1 of the French Commercial Code.

(3) Excluding Directors representing employees in accordance with the AFEP-MEDEF Code.

Length of service of directors as of December 31, 2017



Selection criteria for directors

Based on the following expertise chart, the Nominations Committee advises the Board of Directors on the selection of candidates, where appropriate with the assistance of an external firm, for the purpose of renewing the composition of the Board of Directors primarily based on the following criteria:

- management skills acquired in major French and non-French international corporations;
- familiarity with the Group and its industry;
- professional experience;
- financial and accounting expertise;
- CSR, R&D and digital skills;
- sufficient availability.

In addition to increasing the number of female directors, the Board is striving to diversify the profiles of its members, of both French and non-French nationality, while ensuring the balanced representation of the Company's various stakeholders. As of the date of filing of this Registration Document, the Board has five non-French directors (Mrs. Homaira Akbari, a US citizen; Mrs. Isabelle Courville, a Canadian citizen; Mr. Paolo Scaroni, an Italian citizen; Mr. Nabeel Al-Buenain, a Qatari citizen; and Mr. Pavel Páša, a Czech citizen), representing 29.41% of total Board members.

	Experience in Veolia's businesses	International experience	Industry	R&D	Bank Finance	CSR	Digital
Antoine Frérot	●	●		●	●	●	
Louis Schweitzer		●	●		●	●	
Homaira Akbari		●	●	●			●
Jacques Aschenbroich		●	●	●	●		
Maryse Aulagnon	●	●	●		●		
Daniel Bouton		●			●		
Caisse des dépôts et consignations, represented by Olivier Mareuse			●		●		
Isabelle Courville	●	●	●		●	●	
Clara Gaymard		●	●		●	●	●
Marion Guillou		●		●		●	
Pavel Pása, Director representing employees	●					●	
Baudouin Prot		●			●		
Qatari Diar Real Estate Investment Company, represented by Nabeel Al-Buenain		●	●		●		
Nathalie Rachou		●			●		
Paolo Scaroni		●	●		●		
Guillaume Texier	●	●	●		●		
Pierre Victoria, *Director representing employees*	●					●	
RATE PER CRITERIA	35.29%	82.3%	58.8%	23.5%	76.4%	41.1%	11.7%

Training and integration of directors

At the request of the Board of Directors, the Company organizes training for new directors on the specific aspects of the Group's businesses to facilitate their integration, particularly through site visits. Moreover, to facilitate their integration, new Board members may meet the Group's key executive officers.

Thus, in the context of the integration of two directors representing employees at the end of 2014, the Company organized in 2014 and 2015, an internal training session for them and enrolled them in an outside training program designed by the IFA and Sciences Po which led to the issue of a Corporate Director's Certificate.

In addition, since 2015, the Company has organized meetings between directors and economic and political leaders and director visits to Group operating sites, including exchanges with Group operating teams, notably in the Czech Republic, the United Kingdom and China.

These annual visits contribute to a better understanding of Veolia's businesses.

7.2.1.3 Independence of directors

Director independence criteria

According to the internal regulations of the Board of Directors, regularly updated to incorporate legal and regulatory changes, members are considered independent if they have no relationship with the Company, its Group or its management that might compromise their ability to exercise their judgment objectively. The internal regulations adopt the Independent Director criteria set-out in the AFEP-MEDEF Code:

1) not to be and not to have been during the course of the previous five years an employee or executive corporate officer of the Company, an employee, executive corporate officer of a company or a director of a company consolidated within the Company or an employee, executive corporate officer or a director of the Company's parent company or a company consolidated within this parent **(criterion no. 1)**;

2) not to be an executive corporate officer of any company in which the Company directly or indirectly holds a directorship, or in which an employee appointed as such or a corporate officer of the Company (current or within the past five years) is a director **(criterion no. 2)**;

3) not to be a customer, supplier, investment banker or commercial banker that is material for the Company or its Group or for which the Company or its Group represents a significant part of its business (nor be directly or indirectly linked with such a person) **(criterion no. 3)**;

4) not to have any close family ties with a director or corporate officer **(criterion no. 4)**;

5) not to have been a Statutory Auditor of the Company within the past five years **(criterion no. 5)**;

6) not to have been a director of the Company for more than twelve years. Loss of the status of Independent Director occurs on the date at which this period of twelve years is reached **(criterion no. 6)**.

In the case of directors holding 10% or more of the Company's share capital or voting rights, or representing a legal entity with such shareholdings, the Board, based on a report from the Nominations Committee, shall decide whether or not they are independent, taking into account the composition of the Company's share capital and the existence of any potential conflicts of interest.

Those criteria are assessed and weighted by the Board of Directors, which may decide that a director who does not meet the criteria defined in the internal regulations may nevertheless be described as independent in light of his/her particular situation or that of the Company, given its shareholding structure or any other reason, or vice versa.

The internal regulations also stipulate that, before publishing the Registration Document each year, the Board of Directors must assess the independence of each of its members based on the criteria set out in the aforementioned regulations, any special circumstances, the situation of the person in question, of the Company and of the Group and the opinion of the Nominations Committee.

Assessment of the independence of directors

At its meeting of March 6, 2018, the Board of Directors carried out its annual review of the independence of Directors after hearing the opinion of the Nominations Committee. Taking note of the increasing Director independence requirements resulting from both legal rules and governance Codes, the Board decided that, from now on, it would strictly apply the independence criteria set out in the AFEP-MEDEF Code and particularly the criterion concerning the length of time a director has been on the Board.

The Board classified the following 10 Directors as independent (out of a total of 15, excluding the two Directors representing employees): Homaira Akbari, Jacques Aschenbroich, Maryse Aulagnon, Isabelle Courville, Clara Gaymard, Marion Guillou, Qatari Diar Real Estate Investment Company represented by Nabeel Al-Buenain, Nathalie Rachou, Paolo Scaroni and Guillaume Texier.

The following table presents the compliance of each Director with the independence criteria defined by the AFEP-MEDEF Code. The criteria corresponding to the numbers in the following table are presented on the preceding page in the Section "Director independence criteria".

	Criterion no. 1	Criterion no. 2	Criterion no. 3	Criterion no. 4	Criterion no. 5	Criterion no. 6	Classification
Antoine Frérot		✦	✦	✦	✦	✦	Not independent
Louis Schweitzer	✦	✦	✦	✦	✦		Not independent
Homaira Akbari	✦	✦	✦	✦	✦	✦	**Independent**
Jacques Aschenbroich	✦	✦	✦	✦	✦	✦	**Independent**
Maryse Aulagnon	✦	✦	✦	✦	✦	✦	**Independent**
Daniel Bouton	✦	✦	✦	✦	✦		Not independent
Caisse des dépôts et consignations, represented by Olivier Mareuse	✦			✦	✦	✦	Not independent
Isabelle Courville	✦	✦	✦	✦	✦	✦	**Independent**
Clara Gaymard	✦	✦	✦	✦	✦	✦	**Independent**
Marion Guillou	✦	✦	✦	✦	✦	✦	**Independent**
Pavel Pása, Director representing employees	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Baudouin Prot	✦	✦	✦	✦	✦		Not independent
Qatari Diar Real Estate Investment Company, represented by Nabeel Al-Buenain	✦	✦	✦	✦	✦	✦	**Independent**
Nathalie Rachou	✦	✦	✦	✦	✦	✦	**Independent**
Paolo Scaroni	✦	✦	✦	✦	✦	✦	**Independent**
Guillaume Texier	✦	✦	✦	✦	✦	✦	**Independent**
Pierre Victoria, Director representing employees	N/A	N/A	N/A	N/A	N/A	N/A	N/A

✦ *indicates compliance with the AFEP-MEDEF Code in relation to the independence criteria.*
N/A: Not applicable.

As of the date of filing of this Registration Document, the Company's Board of Directors therefore has **10 independent members out of a total of 15 Directors** (the Directors representing employees are not taken into account when determining these percentages), representing a rate of **66.6%**, in excess of the AFEP-MEDEF Code recommendation[1].

Subject to the approval of the renewal of the term of office of Mr. Antoine Frérot proposed to the Shareholders' Meeting of April 19, 2018 and the non-renewal/non-replacement of Mr. Daniel Bouton and Qatari Diar Real Estate Investment Company, represented by Mr. Nabeel Al-Buenain, the Board of Directors would have nine Independent Directors out of a total of 13 Directors (excluding the two Directors representing employees).

(1) Pursuant to Article 8.3 of the AFEP-MEDEF Code, "The Independent Directors should account for half the members of the Board in widely-held companies without controlling shareholders. In controlled companies, Independent Directors should account for at least one third of Board members. Directors representing employee shareholders and Directors representing employees are not taken into account when determining these percentages."

7.2.1.4 Powers and work of the Board of Directors

Powers of the Board of Directors

In accordance with the law, the Board of Directors establishes the policies concerning the Company's business and supervises their implementation. Subject to the powers expressly granted to General Shareholders' Meetings and within the limits of the corporate purpose, the Board of Directors has the authority to consider all matters concerning the proper operation of the Company and, by its deliberations, resolves matters that concern the Board.

In addition to the powers conferred on the Board of Directors by the law, its internal regulations impose an internal requirement that certain major decisions of the Chairman and Chief Executive Officer be submitted for prior approval by the Board of Directors. These internal limits on powers are detailed below (see Section 7.3.2 below).

Meeting frequency, duration and attendance

According to its internal regulations, the Company's Board of Directors must meet at least four times a year.

In 2017, the Board of Directors met six times and its meetings lasted an average of three hours (as in 2016). In addition, on December 14 and 15, the Board members attended a seminar dedicated to the Group's strategy, during which they reviewed and discussed strategic issues presented by management over two half-days. Based on the expectations expressed during the annual assessment of the Board's activities and those collected from directors in June 2017, discussions notably focused on:

- the Group's current growth and profitability model;
- new strategic directions driven by environmental challenges;
- the additional resources necessary to encourage the Group's growth.

The average attendance rate at Board meetings in 2017 was **90.2%** (compared with 91.6% in 2016). The option to participate through electronic communication was used in three out of six meetings in 2017 (compared with four out of seven meetings in 2016).

Individual attendance rates are presented in Section 7.1.1.2 above.

Date of Board of Directors' Meeting (2017)	Attendance rate
February 22	15/17 (88.24%)
March 7	15/17 (88.24%)
April 20	16/17 (94.12%)
May 3	14/17 (82.35%)
July 28	16/17 (94.12%)
November 6	16/17 (94.12%)

Work of the Board of Directors in 2017

In 2017, the Board of Directors examined the following points in particular:

- **Financial and cash positions and commitments of the Group:**
  - review of the 2016 annual financial statements and the 2017 first-half financial statements,
  - accounting information for the first and third quarters of 2017,
  - corresponding draft financial communications,
  - renewal of the financial and legal authorizations granted to the Chairman and Chief Executive Officer, notably with regard to financing transactions and off-balance sheet commitments and authorization of the Group's significant guarantee transactions,
  - dividend policy, proposed appropriation of net income and payment of the dividend,
  - self-assessment of internal control and approval of the Chairman's report,
  - examination of the summaries and reports issued by its Chairman on the work of the Accounts and Audit Committee (see Section 7.2.2.1 below);
- **Monitoring of the Group's strategic direction and major transactions and CSR policy:**
  - review of the 2017 budget and the long-term plan,
  - review of several Group activities and notably activities in Northern Europe, Waste activities in France and SARP Industries,
  - review of and developments concerning the transaction to withdraw from the share capital of Transdev Group,
  - review of the risk mapping and the materiality matrix of CSR issues,
  - review of the Group's non-financial ratings and the extent of roll-out of its sustainable development commitments,
  - review of the Group's human resources policy and in particular the management policy for executives and talent and the policy for increasing the number of women managers,
  - review of succession plans for Executive Committee members and the Chairman and Chief Executive Officer,
  - examination of the summaries and reports issued by its Chairman on the work of the Research, Innovation and Sustainable Development Committee (see Section 7.2.2.4 below);

- **Corporate governance:**
  - approval of the Chairman and Chief Executive Officer compensation policy and amount for 2016 and 2017 at the recommendation of the Compensation Committee,
  - examination of a free share and performance share grant plan,
  - review of the selection of directors when renewing the composition of the Board,
  - review of the Group's compliance and ethics structure,
  - assessment of the independence of directors,
  - allocation of director's fees,
  - examination of the summaries and reports issued by their chairmen on the work of the Nominations (see Section 7.2.2.2 below) and Compensation (see Section 7.2.2.3 below) Committees,
  - review of the provisions of the French Sapin II law of December 2016 (anti-corruption provisions and regulations governing interest representatives) and the law of March 2017 on the corporate duty of care;
- **Other:**
  - convening of the annual Combined General Meeting and approval of the reports and draft resolutions,
  - review of multi-year regulated agreements and commitments,
  - monitoring of changes in the Company's share ownership and report by Executive Management on the road shows held following publication of the accounts.

In 2017, the Board of Directors was regularly informed of key commercial developments and the initiatives planned by Executive Management. The Board of Directors, mainly through the reports of the Accounts and Audit Committee, was periodically informed of changes in the Group's financial and cash position and off-balance sheet commitments, as well as changes in significant litigation. The Group's Chief Financial Officer, General Counsel and the Legal Director attended Board meetings in 2017. The directors receive a monthly report on the Company's share price and a review of analysts' recommendations. Every six months, Executive Management provides the Directors with detailed documentation regarding the Group's business activities, Research and Innovation initiatives, internal matters (appointments and social policy), corporate activities (initiatives with various institutions in France, Europe and abroad, and updates on regulatory changes) and CSR and sustainable development actions.

Furthermore, in line with the expectations expressed during the last annual assessment of the Board's activities, the Directors met, from their May 3, 2017 meeting, in an executive session without the presence of the Chairman and Chief Executive Officer. During these sessions the Directors held informal discussions on specific topics and news issues.

A digital platform is also available to directors for the performance of their duties since 2014. This "Board Vantage" platform can be accessed *via* an application on tablets provided by the Company to all Board members. The platform provides secure access to documents for Board of Directors and Committee meetings.

Assessment of the Board of Directors and Executive Management actions

Once a year, the Board must devote one point on its agenda to an assessment of how it operates, to be prepared by the Nominations Committee, and arrange a discussion about the way in which it operates in order to improve its effectiveness, check that major issues are suitably prepared and discussed by the Board and measure the effective contribution of each member to the Board's work. Furthermore, the Board's internal regulations require that a formal assessment be performed every three years by an external organization under the supervision of the Nominations Committee, with the aim of checking that the operating principles of the Board have been complied with and identifying possible improvements in its operation and effectiveness. The Nominations Committee produces an annual report for the Board of Directors, which the Directors discuss, assessing how the Chairman and directors have performed, as well as the actions taken by Executive Management.

The Chairman of the Nominations Committee reported to the **Board of Directors' Meeting of March 7, 2017** on the results of the annual assessment conducted with the assistance of an external firm and by interviewing nearly all Board members on their individual contribution. Once again and generally speaking, the Directors expressed considerable satisfaction with the activities of the Board, their relations with Executive Management and its actions. Nearly all the Directors that had participated in the previous assessment considered the Board's activities to be highly satisfactory. The 2016 strategy seminar organized over two half-days was particularly appreciated, both with regards to its format (identification beforehand of the expectations of directors to determine the issues covered) and content, enabling an extended period of debate. The areas for improvement identified include the desire to spend more time on human resource issues and the ex-post monitoring of acquisitions. Furthermore, the results of this assessment led to the decision that three times a year, directors would meet alone without the Chairman and Chief Executive Officer for 30 minutes (Executive sessions), to allow informal discussions on any specific topics or news issues. The directors considered the activities of the Board Committees to be satisfactory and that they facilitate decision-making by the Board. As during the previous assessment, the composition of the Board was considered globally appropriate. Finally, in response to a significant minority of directors who would like to see a reduction in the size of the Board of Directors, a review was launched of its composition. The directors also remain split on whether they are missing certain expertise. The selection and nomination process is considered adequate and enabled a significant change in the current composition of the Board.

The Chairman of the Nominations Committee reported to the Board of Directors' meeting of March 6, 2018, on the results of the formal assessment of the Board, its Committees and Executive Management action, performed with the assistance of an external firm and using a questionnaire sent to each Director, completed by individual interviews. Since the last assessment, the Directors are satisfied with the implementation of the resulting recommendations and unanimously noted improvements in the

Board's activities, its momentum (quality of Director involvement in the decision process) and performance (quality of decisions made). They welcomed, in particular, the quality of the annual seminar on the Group's strategy, the opening-up of debate within the Board, the attentiveness and reactiveness of the Chairman and Chief Executive Officer in implementing the recommended areas for improvement and the efforts made to enable Directors to deepen their knowledge of the various Group businesses. The organization of visits to the Group's operating sites is, in particular, considered extremely useful for improving understanding of the Group's businesses and enables operating managers to be met at this time. Areas for improvement identified include closer monitoring of certain Board decisions and of the conduct of business at country level, as well as a more in-depth analysis of certain strategic issues (notably digital challenges in the Group's businesses and human resources policy). With regards to governance, the Directors consider that the executive sessions without the presence of the Chairman and Chief Executive Officer introduced in 2017 at the end of each Board meeting could be usefully followed by a second executive session involving the Chairman and Chief Executive Officer. They are satisfied with the work performed by the Board Committees, as well as the changes in the chairmen and composition of the Accounts and Compensation Committees, resulting in an increased female presence on these Committees. Continuing the discussions launched in 2017 on the size and composition of the Board, a majority of Directors would like to see a reduction in the Board's size and continued discussions on the areas of Board expertise which require strengthening.

Role of non-voting members *(censeurs)*

The duties of non-voting member *(censeur)* in public limited companies are not recognized by law. Within Veolia Environnement, the Board of Directors may appoint one or more non-voting member *(censeurs)* pursuant to Article 18 of the Articles of Association. Pursuant to the Articles of Association the Board of Directors sets the duration of their term of office, which they may terminate at any time.

The role of a non-voting member *(censeur)* is to attend the Board of Directors' Meetings in an advisory capacity, and the Board may freely ask their advice.

As of the date of the filing of the Registration Document, the Board of Directors has two non-voting members *(censeurs)*: Mr. Paul-Louis Girardot appointed on April 24, 2014 for a period of four years, expiring at the end of the 2018 General Shareholders' Meeting and Mr. Serge Michel appointed on April 21, 2016 for a period of four years, expiring at the end of the 2020 General Shareholders' Meeting. They are consulted extremely regularly due to their experience and knowledge of the Group and its businesses.

It is recalled that Mr. Paul-Louis Girardot did not seek the renewal of his term of office expiring at the end of the Combined Shareholders' Meeting of April 19, 2018.

In addition, this position also offers a way to integrate one or more director candidates before proposing their appointment to a General Shareholders' Meeting. This technique was adopted with Mrs. Isabelle Courville, who performed these duties prior to her appointment as a director by the General Shareholders' Meeting of April 21, 2016.

7.2.1.5 Role of the Chairman of the Board of Directors

The internal regulations of the Board set out the role of the Chairman of the Board of Directors.

The Chairman of the Board of Directors organizes and directs the work of the Board, on which he reports to General Shareholders' Meetings. He is responsible for preparing reports on the organization of the Board's work, internal control and risk management. He chairs General Shareholders' Meetings.

More generally, the Chairman of the Board of Directors ensures the proper operation of the Company's corporate bodies and compliance with good governance principles and practices, in particular regarding the Board Committees. He ensures that the Directors are capable of performing their duties and that they are adequately informed. He devotes the time necessary to questions concerning the Group's future and, in particular, those relating to the Group's strategy.

In accordance with the internal regulations, the Directors are required to promptly inform the Chairman and the Board of all conflicts of interest, even if only potential, and of all proposed agreements that may be entered into by the Company in which they may have a direct or indirect interest.

The Chairman of the Board chairs Board meetings and prepares and coordinates the Board's work.

In this regard he:

- convenes Board meetings in accordance with the timetable of meetings agreed upon with the Directors and decides if it is necessary to convene Board meetings at any other time;
- prepares the agenda for meetings, supervises the preparation of documentation to be provided to the Directors and ensures that the information contained in them is complete;
- ensures that certain subjects are discussed by the Committees in preparation for Board meetings and ensures that the Committees perform their duty of making recommendations to the Board;
- leads and directs the Board's discussions;
- ensures that directors comply with the provisions of the internal regulations of the Board and of the Committees;
- monitors the implementation of the Board's decisions;
- in conjunction with the Nominations and Compensation Committees, prepares and organizes the periodic assessment of the Board's activities.

The Chairman has all the means required for the performance of his duties.

7.2.1.6 Vice-Chairman/Senior Independent Director

Appointment of a Vice-Chairman/Senior Independent Director

On October 21, 2009, the Board of Directors decided to create the position of Vice-Chairman, to assist the Chairman with his duty to ensure the proper operation of the Company's governing bodies, based on the British model of the Senior Independent Director. In accordance with the internal regulations of the Board, the Senior Independent Director is chosen from among the Directors classified as independent for the duration of his/her term of office as an Independent Director. The Board appointed the Independent Director Mr. Louis Schweitzer to assume this position of Vice-Chairman, effective November 27, 2009.

At the recommendation of the Nominations and Compensation Committee, the Board decided to appoint him, with effect from the Annual General Meeting of May 16, 2012, as Senior Independent Director responsible for performing duties relating to the smooth running of the Company's governance bodies for the duration of his term of office, insofar as he remains an Independent Director as determined by the Board. At the meeting of May 14, 2013 and after approval by the General Shareholders' Meeting of the same day of the amendment to Article 12 of the Company's Articles of Association, increasing the maximum age for a Vice-Chairman from 70 to 75 years, the Board of Directors approved, at the recommendation of the Nominations and Compensation Committee, the renewal of Mr. Louis Schweitzer's appointment as Vice-Chairman, which he previously held up to the 2012 General Shareholders' Meeting. From this date, Mr. Louis Schweitzer exercised the duties of Vice-Chairman and Senior Independent Director.

From December 1, 2017, in order to strictly apply the AFEP-MEDEF Code independence criteria and at the recommendation of the Nominations Committee, the Board of Directors meeting of November 6, 2017 appointed Mrs. Maryse Aulagnon, Independent Director, as Senior Independent Director, to replace Mr. Louis Schweitzer, who continues to exercise the duties of Vice-Chairman for the remainder of his term of office as director, renewed at the General Shareholders' Meeting of April 22, 2015.

Mrs. Maryse Aulagnon, for the term of her office as director and of her appointment as Senior Independent Director as determined by the Board, is responsible for performing duties relating to the smooth running of the Company's governance bodies.

The Board of Directors' Meeting of March 6, 2018 therefore adjusted the duties of the Vice-Chairman and the Senior Independent Director in its internal regulations.

Role of the Vice-Chairman

The Vice-Chairman chairs the meetings of the Board and organizes and directs its work when the Chairman is absent or unable to do so. In particular, he chairs the sessions bringing together members of the Board without the Chairman and Chief Executive Officer (executive sessions) and discussions assessing the performance and setting the objectives and compensation of the Chairman and Chief Executive Officer and potentially renewing his appointment.

Role of the Senior Independent Director

The Senior Independent Director's duties include:

- helping the Chairman ensure that the Company's governance bodies are running smoothly. The Board can task him with specific governance assignments;
- considering conflicts of interest that may arise within the Board of Directors. He examines, in particular, conflicts of interest, including potential conflicts of interest that may concern the Chairman of the Board with regard to the interests of the Company, whether they arise in connection with operational projects, strategic policies or specific agreements. He submits recommendations to the Chairman and the Board, after any necessary consultation with the other Independent Directors.
- obtaining an understanding of the concerns of major shareholders not represented on the Board regarding governance matters and ensuring that such concerns are addressed. In agreement with the Chairman and the Vice-Chairman of the Board, he may also respond directly to questions from major shareholders and meet with them, if the ordinary avenues involving the Chairman and Chief Executive Officer, or the Chief Financial Officer have been unable to deal with such concerns or if the nature of the matter itself renders these ordinary avenues inadequate or inappropriate.
- assessing, notably, the performance of the Chairman of the Board as part of the assessment of the Board's activities in accordance with the internal regulations.

The Senior Independent Director can also add points to the agenda of Board meetings.

In January 2018, as at the end of 2016, the Vice-Chairman and the Senior Independent Director held a series of meetings in Paris and London with proxy advisors and the Governance Departments of certain major investors. These meetings enabled the Vice-Chairman and the Senior Independent Director to identify the expectations of these advisors and investors and to discuss a range of issues concerning governance and the compensation policy.

7.2.1.7 Securities trading by corporate officers

Reporting obligations and ban on securities trading

According to the Board's internal regulations, each director and non-voting member *(censeur)* must report all transactions in the Company's securities to the AMF (the French Financial Markets Authority) and to the Company and comply, in particular, with the provisions of Article L. 621-18-2 of the French Monetary and Financial Code and Article 223-22 of the AMF's general regulations (a table detailing transactions in Veolia Environnement securities carried out by directors in 2017 is presented in Section 7.5.1 below). The members of the Board of Directors and Company executives or key senior management, or any person with close ties to them, shall report all acquisitions, sales, subscriptions or trades in the Company's securities and financial instruments to the AMF, within three trading days of completion.

In addition, directors and executive corporate officers are also subject to French regulations on breach of duty and insider trading, which penalize the use or disclosure of privileged information. In accordance with Regulation (EU) no. 596/2014 and Commission Implementing Regulation (EU) 2016/347 of March 10, 2016, the Company prepares and updates a list of insiders, which is made available to the AMF.

The Company's directors and executive corporate officers are required to comply with the provisions of the Company's Code of Conduct with respect to securities transactions (see Chapter 5, Section 5.2.2.2.6 above). In that respect, the members of the Board of Directors and of the Executive Committee in particular, may not buy or sell the Company's securities, directly or through a third-party intermediary, during certain periods: during the five-week period up to and including the date of publication of the annual financial statements, the four-week period up to and including the publication of the interim financial statements, and the two-week period up to and including the date of publication of quarterly financial information, or even outside of those periods so long as they possess insider information. In order to prevent any difficulties relating to the application of the Code of Conduct, the individuals in question should consult with the Group's Legal Department or the General Counsel.

Obligation to hold shares and ban on hedging transactions applicable to executive corporate officers and members of the Executive Committee

Pursuant to the AFEP-MEDEF Code (see Article 22), which requires the Board of Directors to set a minimum quantity of shares to be held by executive corporate officers in registered form until the termination of their duties, and the similar provisions of Article L. 225-197-1 II, paragraph 4 of the French Commercial Code applicable in the event of performance share grants to executive corporate officers, it was decided during the Board meeting of March 6, 2018 to apply the following share retention rules:

- with regard to the bonus share grant in April 2018 to Mr. Antoine Frérot under the long-term incentive plan known as the Management Incentive Plan (details of this plan can be found in Section 7.4.3.2 below), the Board of Directors' Meeting of March 6, 2018, at Mr. Antoine Frérot's proposal to the Compensation Committee, took due note of his decision to hold until termination of his duties, 40% of the total share bonus granted under this plan, net of applicable social security contributions and taxes, until a total shareholding equal to 200% of his gross annual fixed compensation has been reached;
- with regard to the planned grant in 2018 of performance shares to a group of approximately 700 top executives, high potential employees and key contributors of the Group, including the Chairman and Chief Executive Officer, presented in the 21st resolution to the Combined Shareholders' Meeting of April 19, 2018, the Board of Directors' Meeting of March 6, 2018 decided, subject to the adoption of this resolution and in the event of implementation of this plan:
  - (i) for the Chairman and Chief Executive Officer, an obligation to hold until the termination of his duties, 40% of total performance shares granted under this plan, net of applicable social security contributions and taxes, until he has reached a total shareholding equal to 200% of his gross annual fixed compensation,
  - (ii) for members of the Company's Executive Committee, an obligation to hold until the termination of their duties, 25% of total performance shares granted under this plan, net of applicable social security contributions and taxes, until they have reached a total shareholding equal to 100% of their gross fixed compensation.

In accordance notably with the AFEP-MEDEF Code to which the Company refers, the Chairman and Chief Executive Officer and Executive Committee members receiving shares may not enter into risk hedging transactions until the end of the share retention period set by the Board of Directors.

7.2.1.8 Other Information on the operation of the Board

This section summarizes the corresponding sections of the Board of Directors' internal regulations.

Rights and obligations of directors

According to the Board's internal regulations, its members are subject to the following obligations: to act in the Company's best interests; to inform the Board of any conflict of interest, even potential, and to abstain from voting on any decisions in which they may have a conflict of interest; to perform their duties in accordance with statutory provisions, notably those concerning limits on the number of offices, and to regularly attend Board and Committee meetings; to stay informed in order to be able to deal effectively with the agenda items; to consider themselves bound by professional secrecy and by a duty of loyalty; and, to comply with the Company's Code of Conduct with respect to securities transactions. The members of the Board of Directors and, where applicable, the Chief Executive Officer are required to promptly report to the Chairman of the Board any agreement signed by the Company in which they have a direct or indirect interest or which was concluded through an intermediary on their behalf.

Each director receives a periodically updated "Directors' Guide" which includes the following primary documents: the Company's Articles of Association, the appointment procedure for, and the duties of, the Chairman and Chief Executive Officer, the appointment procedure for, and the duties of the Vice-Chairman and Senior Independent Director, the internal regulations of the Board of Directors and of the Accounts and Audit Committee, the Nominations and Compensation Committees and the Research, Innovation and Sustainable Development Committee, the French regulations applicable to Audit Committees, the Company's Code of Conduct for securities trading and compliance with French stock exchange legislation, the list of directors and the expiry dates of their terms of office, the composition of the Board of Directors' Committees, useful contacts for members of the Board of Directors and the Committees, the composition of the Executive Committee and the current version of the AFEP-MEDEF Code.

Information provided to directors

The Chairman provides directors, in a timely manner, with the necessary information for them to fully perform their duties. In addition, the Chairman provides the members of the Board with all significant information concerning the Company on an ongoing basis. Each director receives and has the right to request all necessary information to perform his/her duties, and may also request additional training concerning specific aspects of the Company and the Group.

In order to fulfill their duties, the Directors may meet with the key management personnel of the Company and Group, subject to giving prior notice to the Chairman of the Board.

At the request of the Chairman or of a director, the heads of the Group's business units may be invited to any Board meeting devoted to the outlook and strategy for their business sector.

Meeting attendance by electronic means of communication

Directors may participate in Board discussions by videoconference or other electronic means of communication, in the manner and on the terms set out in Articles L. 225-37 and R. 225-21 of the French Commercial Code and as provided for by the internal regulations of the Board of Directors. In such case, directors are deemed to be present for the purpose of calculating quorum and majority, except with regard to the vote on certain major decisions as provided by law and by the Board's internal regulations (in particular, the approval of the annual financial statements and the preparation of the management report and the consolidated financial statements).

7.2.2 ACTIVITIES OF THE BOARD COMMITTEES

Since April 30, 2003, when the Company adopted the governance method of a public limited company with a Board of Directors *(société anonyme à conseil d'administration)*, the Company's Board of Directors has been assisted by:

- an Accounts and Audit Committee;
- a Nominations Committee;
- a Compensation Committee;
- a Research, Innovation and Sustainable Development Committee.

7.2.2.1 Accounts and Audit Committee

Members and activities

	Independent	Position	First appointment/ Most recent appointment	Attendance rate	Number of meetings in 2017
Nathalie Rachou[1]	✦	Chairman	12/01/17	75%	4
Homaira Akbari	✦	Member	04/21/16	75%	
Jacques Aschenbroich	✦	Member	12/12/12	50%	
Daniel Bouton[2]		Member	11/02/09	100%	
Isabelle Courville[3]	✦	Member	12/01/17	N/A	
Pierre Victoria *	N/A	Member	11/05/14	100%	
INDEPENDENCE RATE	80%				

(1) Member of the Accounts and Audit Committee since December 12, 2012 and Chairman of the Committee since Decemb[er] 1, 2017.
(2) Chairman of the Accounts and Audit Committee until November 30, 2017.
(3) Member of the Accounts and Audit Committee since December 1, 2017.
** Director representing employees, not taken into account when calculating independence percentages pursuant to Article 8.3 of the AFEP-MEDEF Code*
✦ Independent pursuant to AFEP-MEDEF Code independence criteria, as assessed by the Board of Directors
N/A: Not applicable.

The Accounts and Audit Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors at least five times a year to review the periodic and annual financial statements before their submission to the Board of Directors and periodically assesses its own work. The Accounts and Audit Committee has between three and six members appointed by the Board of Directors from among the Directors (excluding those in management positions) on the basis of recommendations made by the Nominations Committee. The Committee's Chairman is appointed by the Board.

During its meeting of November 6, 2017, the Board of Directors adjusted the composition of the Accounts and Audit Committee, by appointing Mrs. Nathalie Rachou (Independent Director) as Chairman to replace Mr. Daniel Bouton and Mrs. Isabelle Courville (Independent Director) as an additional member from December 1, 2017.

According to the internal regulations of the Accounts and Audit Committee, its members are selected for their financial or accounting expertise, and at least one Committee member must have specific financial or accounting expertise and be independent according to the criteria specified in the Board of Directors' internal regulations. On March 24, 2011, the Board of Directors classified Mr. Daniel Bouton, a member of the Accounts and Audit Committee, as a "financial expert" as defined by French law, having determined that he has the necessary qualifications and experience.

Planned changes in 2018

The Board of Directors' Meeting of March 6, 2018, taking due note of the non-renewal of Mr. Daniel Bouton's term of office as Director, at his request, decided not to replace him at the end of the Combined Shareholders' Meeting of April 19, 2018 on the Accounts and Audit Committee.

Duties of the Committee

The duties of the Accounts and Audit Committee, according to its internal regulations adopted by the Board, include the tasks assigned by the regulations governing the internal control of financial and accounting information stipulated by the Order of December 8, 2008 enacting into French law the Eighth Directive on the Statutory Audit of Accounts (Directive 2006/43/EC) and the AMF recommendations of July 2010.

In general, the Accounts and Audit Committee is responsible for monitoring matters concerning the preparation and control of accounting and financial information and, in particular, for monitoring: (i) the integrity of the Group's financial statements and the process for preparing financial information; (ii) the effectiveness of internal control systems concerning financial and accounting information and the Group's management system for risks expressed in the accounting statements or identified by Executive Management that may affect the financial statements; (iii) the Group's compliance with statutory and regulatory requirements where these are relevant to financial reporting or internal control; (iv) the assessment of the Statutory Auditors' capabilities and independence; and (v) the performance by the Group's Internal Audit Department and the Statutory Auditors of their duties with respect to auditing the parent company and consolidated financial statements. In this regard, the Committee monitors more particularly the following activities:

- **the process of preparing accounting and financial information:** (i) together with the Statutory Auditors, reviewing the relevance and consistency of the accounting methods used to prepare the parent company and consolidated financial statements, examining whether major transactions are adequately processed on a Group-wide level; (ii) reviewing the scope of the consolidated companies and the procedures for collecting financial and accounting information and seeking the explanations and comments of the Statutory Auditors in this respect, where necessary; (iii) giving an opinion on the draft interim and annual parent company and consolidated financial statements prepared by Executive Management before those statements are presented to the Board; (iv) interviewing the Statutory Auditors, the members of Executive Management and financial officers, particularly on the off-balance sheet commitments, depreciation/amortization, provisions, goodwill and principles of consolidation; such interviews may be conducted without the presence of the Company's Executive Management; (v) acquainting itself with, and expressing an opinion on the process of preparing press releases on the publication of the annual or interim financial statements and the quarterly information; and in the context of the Board's examination of the press releases concerning, in particular, the annual and interim financial statements, making sure that the presentation of this financial information to the market is consistent with the information in the financial statements, according to the information in its possession;
- **internal audit:** (i) acquainting itself with the Company's Audit Charter; (ii) examining the Group's annual internal audit program on a yearly basis; (iii) periodically receiving information from the Company with regard to progress with the internal control audit program and the self-assessment of the internal control and risk management system, summaries of the audit assignments carried out and, once a year, an overall analysis of the main lessons learned from the auditing year; and (iv) interviewing the head of the Internal Audit Department and giving the Committee's opinion on the organization of the work of this department;
- **the effectiveness of internal control and risk management systems,** particularly in the context of Article L. 823-19 of the French Commercial Code (see the Order of December 8, 2008, enacting the Eighth Directive on the Statutory Audit of Accounts):
  - *concerning the monitoring of the effectiveness of internal control systems:* (i) periodically receiving information from the Company about the organization and procedures of internal control relating to financial and accounting information; (ii) interviewing the head of internal control and giving the Committee's opinion on the organization of the work of his/her department; (iii) hearing an annual report from the Ethics Committee on the whistle blowing system available to employees with respect to accounting, finance, management control and audit and all ethics issues; having significant matters referred to it by the Ethics Committee in such fields and ensuring the follow-up of those cases with this Committee,
  - *concerning the monitoring of the effectiveness of the management system for risks expressed in the accounting statements or identified by Executive Management that may have an impact on the financial statements:* (iv) periodically examining the mapping of the main risks identified by Executive Management that may impact the financial statements; (v) acquainting themselves with the main characteristics of the procedures for managing those risks and their results, based in particular on the work of the Risk Management Department, the Internal Audit Department and the Statutory Auditors in relation to internal control procedures; and (vi) following up on the implementation of corrective actions in relation to any identified weaknesses that might have an impact on the financial statements;
- **Statutory Auditors:** (i) reviewing the Statutory Auditors' planned work on an annual basis; (ii) interviewing the Statutory Auditors and the executives in charge of finance, accounting and treasury, in certain cases without the presence of members of the Company's Executive Management; (iii) supervising and making recommendations in respect of the Statutory Auditor selection process; (iv) expressing its opinion on the amount of Statutory Auditor fees; (v) giving its prior approval to auditors' activities that are strictly ancillary or directly complementary to the audit of the financial statements; and (vi) being informed of the fees that the Company and the Group pay to the audit firm and its network, ensuring that the amount of these payments or the share of these payments in the firm's and the network's revenue does not call into question the independence of the Statutory Auditors, and reviewing together with the Statutory Auditors the risks threatening their independence and the precautionary measures taken to reduce such risks.

Activities in 2017

The Accounts and Audit Committee organized its activities, as before, within the framework of a program drawn up for the year and approved by the Committee. Minutes are taken of the meetings and the Committee Chairman produces a report for the Board of Directors.

The Committee may interview persons outside the Company if it deems such interviews useful for the performance of its duties. In addition, the Committee may consult outside experts. It may also interview the Company's financial officers or the Statutory Auditors without the presence of the Chief Executive Officer. During the past year, the Chairman of the Accounts and Audit Committee and/or the Committee members interviewed and met: the Chairman and Chief Executive Officer, the Chief Financial Officer, the Director of Financial Control, the Legal Director and secretary of the Committee, the Group Audit Director, the Risk Management, Insurance and Compliance Officer, the Information Systems Director, the Tax Director, the Chairman of the Ethics Committee, the Cash flow and Financing Director, and the Company's Statutory Auditors.

During these meetings, the Accounts and Audit Committee particularly:

- reviewed the main accounting options, the annual and interim financial statements and the associated business reports;
- reviewed impairment tests;
- reviewed the draft financial communications;
- reviewed at-risk contracts and the main tax risks to which the Company is exposed;
- examined the financial information and business reports for the first and third quarters of 2017;
- examined the summary of the internal control self-assessment for fiscal year 2016 and the Statutory Auditors' opinion;
- examined reports on fraud and reviewed the action plans, as well as the report on the activities of the Ethics Committee;
- examined summaries of internal audits conducted in 2016 and the first half of 2017, and approved the internal audit program for 2018;
- reviewed with Company management the following key processes contributing to its duties: the financial policy and planned financing transactions, changes in internal control, investment and divestment procedures and processes, the legal reporting of major disputes;
- reviewed the risk management system including the risk mapping, the materiality matrix of CSR issues and the Group's insurance program;
- examined planned divestitures and acquisitions and progress with Group restructuring transactions;
- reviewed the Statutory Auditors' assignments for 2017. The Committee also reviewed the Statutory Auditors' fee budget for 2017, non-audit services (NAS) and the distribution of assignments between the joint auditors, as well as their independence, how they organized their tasks and their recommendations.
- supervised the process and conditions for the renewal of the offices of the Statutory Auditors on their expiry.
- examined the Company's cybersecurity, including its place in Group policy, its organization, the cyber risk mapping and related actions plans and training programs.

7.2.2.2 Nominations Committee[1]

Members and activities

	Independent	Position	First appointment/ Most recent appointment	Attendance rate	Number of meetings in 2017
Louis Schweitzer, *Vice-Chairman*		Chairman	03/25/14	100%	4
Maryse Aulagnon, *Senior Independent Director*	✦	Member	03/25/14	100%	
Paolo Scaroni	✦	Member	04/21/16	75%	
INDEPENDENCE RATE	66.6%				

✦ *Independent pursuant to AFEP-MEDEF Code independence criteria, as assessed by the Board of Directors*

In accordance with its internal regulations, the Nominations Committee is comprised of three to six members, who are appointed by the Board of Directors at the recommendation of the Nominations Committee. The Committee members are selected from among the Directors who do not hold management positions. The Chairman of the Committee is appointed by the Board of Directors at the recommendation of the Committee.

Duties of the Committee

The duties of this Committee are as follows:

- **nominations:** the Committee is charged with making recommendations regarding the future composition of the Company's management bodies and, more importantly, it is responsible for selecting the Company's corporate officers and developing a succession plan; it also recommends the appointment of directors and of the members, as well as the

(1) *The Nominations Committee was formed by the split of the Nominations and Compensation Committee into two distinct Committees, decided by the Board of Directors' Meeting of March 25, 2014.*

Chairman of each Board Committee, striving to ensure diversity in experience and points of view, while making certain that the Board of Directors retains the necessary objectivity and independence vis-à-vis any specific shareholder or group of shareholders. The Committee gives its opinion on the succession plan for the Company's key managers who are not corporate officers of the Company. The Committee strives to ensure that at least (i) one-half of the Directors, (ii) two-thirds of the members of the Accounts and Audit Committee and (iii) one-half of the members of the Nominations Committee are Independent Directors. Each year, the Nominations Committee conducts a case-by-case assessment of each director with regard to the independence criteria set forth in the internal regulations of the Board of Directors and makes proposals to the Board of Directors for the Board's review of the position of each director in question;

- **assessment:** the Nominations Committee assists the Board in its periodic assessments. It prepares the Board's annual assessment of its organization and operation, and leads the formal assessment of the Board that is carried out every three years by an outside organization. Each year, the Committee provides the Board of Directors with a report assessing the performances of the Chairman and of the Directors, as well as the actions of Executive Management. Lastly, each year, the key managers who are not corporate officers of the Company meet with each member of the Committee.

Activities in 2017

In 2017, the Nominations Committee focused on:

- changes in the composition of the Board and its Committee;
- the search for and review of candidates to serve on the Board;
- the report of the formal assessment of the Board and its Committees;
- the review of the independence of directors.

Meetings focused on various governance issues, the succession plan for key managers (including the Chairman and Chief Executive Officer) and reviewing the actions of the Chairman and Chief Executive Officer. The latter participated in the governance activities of the Committee (appointment and renewal of directors) and work on the succession plan for key managers.

7.2.2.3 Compensation Committee(1)

Members and activities

	Independent	Position	First appointment/ Most recent appointment	Attendance rate	Number of meetings in 2017
Maryse Aulagnon(1), *Senior Independent Director*	✦	Chairman	12/01/17	50%	4
Daniel Bouton		Member	04/01/05	100%	
Clara Gaymard	✦	Member	04/21/16	100%	
Marion Guillou	✦	Member	11/05/14	100%	
Louis Schweitzer(2), *Vice-Chairman*		Member	04/30/03	100%	
Pierre Victoria*	N/A	Member	11/05/14	75%	
INDEPENDENCE RATE	60%				

(1) Member of the Compensation Committee since April 20, 2017 and Chairman of the Committee since December 1, 2017. Following her appointment, Mrs. Maryse Aulagnon attended one of two meetings.
(2) Chairman of the Compensation Committee until November 30, 2017.
** Director representing employees, not taken into account when calculating independence percentages pursuant to Article 8.3 of the AFEP-MEDEF Code*
✦ Independent pursuant to AFEP-MEDEF Code independence criteria, as assessed by the Board of Directors
N/A: Not applicable.

In accordance with its internal regulations, the Compensation Committee has between three and six members, who are appointed by the Board of Directors at the recommendation of the Compensation Committee. The Committee members are selected from among the Directors who do not hold management positions. The Chairman of the Committee is appointed by the Board of Directors at the recommendation of the Committee.

The Board of Directors changed the composition of the Compensation Committee at its meeting of March 7, 2017, appointing Mrs. Maryse Aulagnon (Independent Director) as an additional member from the end of the General Shareholders' Meeting of April 20, 2017. At its meeting of November 6, 2017, Mrs. Maryse Aulagnon was appointed Committee Chairman to replace Mr. Louis Schweitzer with effect from December 1, 2017.

Planned changes in 2018

The Board of Directors' Meeting of March 6, 2018, taking due note of the non-renewal of Mr. Daniel Bouton's term of office as Director, at his request, decided not to replace him at the end of the Combined Shareholders' Meeting of April 19, 2018 on the Compensation Committee.

(1) The Compensation Committee was formed by the split of the Nominations and Compensation Committee into two distinct Committees, decided by the Board of Directors' Meeting of March 25, 2014.

Duties of the Committee

The duties of this Committee are as follows:

- **to study and make proposals regarding the overall compensation of the Company's executive corporate officers,** in particular with regard to the rules and criteria governing the variable portion of compensation consistent with the annual assessment of their performance and the medium-term strategy and performance of the Company and the Group, and with regard to the granting of in-kind corporate benefits, share subscription or purchase options and the allocation of free shares, pension plans, termination compensation and any other benefits, ensuring that all such components are taken into account in assessing and setting their overall compensation;
- **to recommend to the Board of Directors an overall amount of directors' fees** to be paid to directors, as well as the rules for their distribution;
- to present its opinion to the Board of Directors on the general policy and terms and conditions for granting share purchase or subscription options, the allocation of free shares and the setting-up of employee share ownership plans, as well as Company or Group employee profit-sharing measures;
- to make proposals to the Board concerning the granting of stock options and, if applicable, free shares to the Company's corporate officers, as well as with respect to the performance conditions applicable thereto;
- to make proposals to the Board concerning the obligation for the Company's executive corporate officers to hold shares obtained by exercising stock options or, if applicable, the allocation of free shares;
- to present its opinion on the compensation policy for the Company's key managers who are not corporate officers of the Company or of other companies in the Group.

Activities in 2017

In 2017, the work of the Compensation Committee focused on preparing proposals and recommendations for the Board of Directors on the following matters in particular:

- the compensation of the Chairman and Chief Executive Officer paid or payable in respect of 2016;
- the 2017 compensation policy;
- reviewing the Directors' fees' budget and allocation;
- examining a free share grant plan for employees and a performance share grant plan for the Chairman and Chief Executive Officer and key managers;
- examining an employee share ownership plan.

7.2.2.4 Research, Innovation and Sustainable Development Committee

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Members and activities

	Independent	Position	First appointment/ Most recent appointment	Attendance rate	Number of meetings in 2017
Jacques Aschenbroich	✦	Chairman	12/12/12	100%	3
Isabelle Courville[(1)]	✦	Member	04/20/17	66.6%	
Clara Gaymard[(1)]	✦	Member	04/20/17	100%	
Marion Guillou	✦	Member	12/12/12	100%	
Pavel Páša*	N/A	Member	11/05/14	100%	
Guillaume Texier[(1)]	✦	Member	04/20/17	33.3%	
INDEPENDENCE RATE	100%				

(1) Member of the Research, Innovation and Sustainable Development Committee since April 20, 2017.
** Director representing employees, not taken into account when calculating independence percentages pursuant to Article 8.3 of the AFEP-MEDEF Code.*
✦ Independent pursuant to AFEP-MEDEF Code independence criteria, as assessed by the Board of Directors.
N/A: Not applicable.

According to its internal regulations, the Research, Innovation and Sustainable Development Committee meets when convened by its Chairman or at the request of the Chairman of the Board of Directors. It is required to hold at least three meetings per year. The Committee met three times in 2017 (as in 2016). The average attendance rate was 83.3% (compared with 100% in 2016).

The Research, Innovation and Sustainable Development Committee has between three and five members, who are appointed by the Board of Directors at the recommendation of the Nominations Committee. The Chairman of the Committee is appointed by the Board of Directors at the recommendation of the Chairman of the Board.

During its meeting of March 7, 2017, the Board of Directors adjusted the composition of the Research, Innovation and Sustainable Development Committee introducing Mrs. Isabelle Courville, Mrs. Clara Gaymard and Mr. Guillaume Texier (Independent Directors) as additional members with effect from the end of the General Shareholders' Meeting of April 20, 2017.

Duties of the Committee

The main duty of this Committee is to assess the Group's strategy and policies with regard to research, innovation and sustainable development and to issue an opinion to the Board of Directors.

The Committee is informed of programs and priority actions undertaken and assesses the results thereof. In particular, it keeps abreast of the budgets and staff levels and gives its opinion regarding the allocation of means and resources and whether they are appropriate in light of the strategic choices made.

The Committee's main contacts are the Chairman of the Company's Board of Directors, Executive Management and the Executive Committee, the Group's Research, Innovation and Sustainable Development Departments, as well as any other manager within the Company who has information or opinions that may be of use to the Committee.

The Committee may also interview persons outside the Company if it deems such interviews to be of use in the performance of its duties. In addition, it may consult outside experts.

The Committee seeks to analyze the content of Veolia's service offerings, its potential clients, the size of markets, the Group's competitive advantages, its competitors, its research programs, technologies and the best economic balance for each area addressed.

Activities in 2017

In 2017, the Committee focused successively on:

- the Group's strategy in the Oil and gas market;
- the Group's approach to the energy efficiency market;
- Veolia's positioning in coal-based energy production;
- the Group's CSR performance and non-financial ratings;
- the extent of roll-out of the Group's sustainable development commitments.

7.3 Executive Management and the Executive Committee

7.3.1 FORM OF ORGANIZATION OF EXECUTIVE MANAGEMENT'S POWERS

The law provides that the Board of Directors elects a Chairman from among its members, who must be a natural person. The duties of the Chairman are presented in Section 7.2.1.5 above. The Board of Directors entrusts the Executive Management of the Company to either the Chairman of the Board of Directors (referred to as the Chairman and Chief Executive Officer), or to another natural person, who may or may not be a director, referred to as the Chief Executive Officer.

As mentioned in the AFEP-MEDEF Code, the law states no preference between those two options. Accordingly, the Board of Directors may choose between these combined or separate forms of Executive Management in accordance with its specific requirements.

A review of the practices of CAC 40 companies, shows the combined approach to be the preferred management system, with most companies with a Board of Directors having opted for this form of management.

In December 2010, following the departure of Henri Proglio, Chairman of the Board of Directors and at the recommendation of the Nominations and Compensation Committee, the Board of Directors decided to combine the duties of Chairman of the Board with those of Chief Executive Officer, by appointing Antoine Frérot, Chief Executive Officer since November 27, 2009, Chairman of the Board. This choice was confirmed by the Board of Directors on two occasions: on the decisions to propose the renewal of Antoine Frérot's term of office to the General Shareholders' Meeting, on April 24, 2014 at the recommendation of the Nominations and Compensation Committee and, more recently, on February 21, 2018, at the recommendation of the Nominations Committee.

The Veolia Group has a diverse range of business lines and operates in numerous countries in a highly decentralized manner. This combined form of governance, led by the Chairman and Chief Executive Officer who has in-depth knowledge of the Group's activities and businesses, offers the advantages of tighter and more effective control and management, simplifying the decision-making process.

During the period of far-reaching transformation of the Group completed in 2015 and the current roll-out of the 2016-2019 plan aimed at achieving profitable, targeted and consistent growth by building on the achievements of the previous transformation period, this form of governance enabled and continues to enable greater responsiveness in the implementation, by the Business Units, of the strategic direction defined by the Board of Directors and faster escalation to Executive Management of the operating reality.

Substantial counter-balances exist within the Board of Directors, providing all the guarantees necessary to the exercise of this form of governance in accordance with best governance practices:

- the existence of a Vice-Chairman and a Senior Independent Director, whose duties, means and prerogatives are presented in Section 7.2.1.6 above;
- the presence of a significant majority of Independent Directors and two directors representing employees on the Board of Directors;
- the appointment of Independent Directors to chair Board Committees;
- the organization of an executive session at the end of each Board meeting, without the presence of the Chairman and Chief Executive Officer and led by the Vice-Chairman;
- the organization of governance roadshows by the Vice-Chairman and the Senior Independent Director;
- in-depth assessments of the activities of the Board;
- limits on powers set-out in the internal regulations of the Board of Directors providing for approval by the Board of Directors of all decisions of a major strategic nature or likely to have a material impact on the Company (see Section 7.3.2 below).

The Board of Directors' Meeting of February 21, 2018, pursuant to the proposed renewal of the term of office of Mr. Antoine Frérot as Chairman and Chief Executive Officer (subject to the renewal of his term of office as Director by the Combined Shareholders' Meeting of April 19, 2018) and at the recommendation of the Nominations Committee, decided to retain a combined form of governance, led by the Chairman and Chief Executive Officer who has in-depth knowledge of the Group's activities and businesses after more than 25 years with the Company.

In addition to the operational reasons for this choice of management structure as set out in this Section, the counter-balances within the Board of Directors (majority of Independent Directors and recent appointment of a Vice-Chairman and a Senior Independent Director, accompanied by a strengthening of their powers), provides all the guarantees necessary to the exercise of this form of governance in accordance with best governance practices.

The Board of Directors also indicated that it could, in another context, decide to separate the duties of Chairman and Chief Executive Officer, as has been done in the past.

7.3.2 LIMITS ON THE POWERS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with the law and as Chief Executive Officer, the Chairman and Chief Executive Officer is fully empowered to act in the name of the Company in all circumstances. He is required to act within the limits of the corporate purpose, subject to those powers that the law expressly confers on shareholders' meetings and the Board of Directors. He represents the Company in its relations with third parties.

However, the powers exercised by the Chairman and Chief Executive Officer are limited by the internal regulations of the Board of Directors. The following decisions of the Chief Executive Officer are therefore subject to the prior authorization of the Board of Directors:

- determining the Group's strategic direction;
- Group transactions of an individual amount in excess of €300 million, with the exception of financing transactions;
- after consultation with and the recommendation of the Accounts and Audit Committee, investment or divestment transactions of the Group including a commitment of between €150 million and €300 million per transaction, with the exception of financing transactions;
- financing transactions, whatever their terms, (including the early redemption or repurchase of debt) amounting to more than €1.5 billion per transaction if carried out in a single tranche and €2.5 billion if the transaction is carried out in several tranches;
- transactions in the Company's shares involving an overall amount in excess of 1% of the Company's total shares.

7.3.3 EXECUTIVE COMMITTEE

The Chairman and Chief Executive Officer is assisted in the performance of his duties by an Executive Committee, a discussion, consultation and general policy decision-making body which seeks to implement the Group's strategic direction. The Committee is also consulted on major issues concerning the Group's corporate life.

The Executive Committee meets monthly.

As of the date of filing of this Registration Document, the Company's Executive Committee comprises twelve members:

- Antoine Frérot, Chairman and Chief Executive Officer;
- Laurent Auguste, Senior Executive Vice President, Development Innovation and Markets;
- François Bertreau, Chief Operating Officer;
- Estelle Brachlianoff, Senior Executive Vice President, United Kingdom, Ireland;
- Régis Calmels, Senior Executive Vice President, Asia;
- Philippe Capron, Chief Financial Officer;
- Philippe Guitard, Senior Executive Vice President, Central and Eastern Europe;
- Éric Haza, Chief Legal Officer[1];
- Patrick Labat, Senior Executive Vice President, Northern Europe;
- Jean-Marie Lambert, Senior Executive Vice President, Human Resources;
- Claude Laruelle, Director of Global Enterprises;
- Helman le Pas de Sécheval, General Counsel

In addition, Management Committee meetings bring together, each quarter, members of the Executive Committee with all the Group's functions and geographies in order to share and commit to the Group's challenges and outlook. As of the date of filing of this Registration Document, this Committee has 27 members, including the 12 members of the Executive Committee; its composition can be viewed on Veolia's website (www.veolia.com).

(1) Appointed with effect from March 7, 2018.

7.4 Compensation and benefits AFR

A summary of compensation paid or payable in respect of fiscal year 2017 to the Chairman and Chief Executive Officer, Antoine Frérot and the 2018 compensation policy presented for shareholder vote at the Combined Shareholders' Meeting of April 19, 2018, are detailed in Section 7.4.4 below. The information required by Article L. 225-37-2 of the French Commercial Code is presented in this Section.

7.4.1 EXECUTIVE AND DIRECTOR COMPENSATION

The total compensation paid during fiscal year 2017 to the Chairman and Chief Executive Officer, Directors and other senior executives by the Company and by controlled companies within the meaning of Article L. 233-16 of the French Commercial Code is detailed below.

It is noted that the Board of Directors of Veolia Environnement, at its meeting on January 7, 2009, confirmed that the AFEP-MEDEF Code would be the reference used by Veolia Environnement, notably in regard to the compensation of executive corporate officers.

This Registration Document and, in particular, the tables in Sections 7.4.1 and 7.4.3.1 below (share subscription and/or purchase options, free shares, performance shares) have been prepared in accordance with the format recommended by the AFEP-MEDEF Code and the AMF's recommendation no. 2012-02.

7.4.1.1 Compensation of the Chairman and Chief Executive Officer

The principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of total compensation and benefits of all kinds that may be awarded to executive corporate officers[1] in respect of their duties, representing the compensation policy for these individuals, are decided by the Board of Directors at the recommendation of the Compensation Committee and presented for shareholder approval at General Shareholders' Meeting in accordance with Article L. 225-37-2 of the French Commercial Code.

In addition, pursuant to Article L. 225-100 of the French Commercial Code, the Shareholders' Meeting votes on the fixed, variable and exceptional components of total compensation and benefits of all kinds paid or awarded in respect of the previous fiscal year to executive corporate officers. Accordingly, the payment of variable or exceptional compensation components in respect of a period is contingent on their approval by the General Shareholders' Meeting called to approve the financial statements for this period.

Mr. Antoine Frérot, as the Chairman and Chief Executive Officer, is the sole executive corporate officer.

General principles applicable to annual compensation and additional components

The Board of Directors' Meeting of March 6, 2018, at the recommendation of the Compensation Committee, approved all the compensation components of the Chairman and Chief Executive Officer for fiscal year 2018.

In determining the compensation of the Chairman and Chief Executive Officer, account is taken of all compensation components (fixed, annual variable, long-term compensation plan, severance payments, pension commitments) and the balance between these components.

Account is also taken of benchmarks and particularly benchmarks referring to CAC 40 companies and companies comparable to Veolia Environnement in determining compensation components.

The Board of Directors ensures that the compensation policy is consistent with the Group's strategy.

Pursuant to Article L. 225-37-2 of the French Commercial Code referred to above, the Combined Shareholders' Meeting of April 19, 2018 is asked, in the tenth resolution, to approve the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of total compensation and benefits of all kinds which might be awarded to the Chairman and Chief Executive Officer in respect of fiscal year 2018, as presented in Section 7.4.4.2 below.

Structure of the compensation components of the Chairman and Chief Executive Officer, Mr. Antoine Frérot

Mr. Antoine Frérot does not have an employment contract with the Group, has waived receipt of Directors' fees and his compensation does not include any exceptional components.

His compensation comprises the following components:

- fixed compensation;
- annual variable compensation tied to annual objectives;
- a benefit in kind, corresponding to a company car.

In addition, Mr. Antoine Frérot is entitled to:

- a long-term incentive compensation plan, known as the "Management Incentive Plan" (MIP), to be replaced in 2018

(1) *Executive corporate officers of a French Limited company (société anonyme) with a Board of Directors are: the Chairman of the Board of Directors or the Chairman and Chief Executive Officer (if he/she assumes the duties of CEO), the Chief Executive Officer and the Deputy Chief Executive Officers.*

(subject to approval by the Combined Shareholders' Meeting of April 19, 2018) by a performance share grant plan;

- severance payments, to be renewed by the Combined Shareholders' Meeting of April 19, 2018;
- a supplementary defined contribution pension plan.

Fixed compensation

The fixed compensation reflects the experience and the responsibilities of the Chairman and Chief Executive Officer and acts as a basis for determining the maximum percentage of annual variable compensation.

Mr. Antoine Frérot has received annual fixed compensation of €950,000 for his duties as Chairman and Chief Executive Officer since fiscal year 2015.

In accordance with the recommendations of the Compensation Committee, the Board of Directors' Meeting of March 8, 2016 decided to set the frequency of review of fixed compensation at every three years with effect from January 1, 2016, in the absence of any major events.

Annual variable compensation

Variable compensation rewards the Chairman and Chief Executive Officer's contribution to the Group's results and performance in the past year.

Since 2003, the Chairman and Chief Executive Officer's variable compensation is split between a quantifiable portion (70%) and a qualitative portion (30%).

The quantifiable and qualitative objectives and criteria underlying the variable compensation are set at the beginning of each year by the Board of Directors for the current year, at the recommendation of the Compensation Committee. The Board of Directors also discusses the amount of the variable compensation for the prior year, based on the attainment of the criteria and objectives set at the beginning of that year. Pursuant to Article L. 225-100 of the French Commercial Code, the payment of annual variable compensation for a period is contingent on its approval by the General Shareholders' Meeting called to approve the financial statements for this period.

The Chairman and Chief Executive Officer's annual variable compensation is determined each year based on a target bonus (100% attainment of the objectives set by the Board of Directors) expressed as a percentage of annual fixed compensation (the "Target bonus base").

Variable compensation is capped (where objectives are exceeded) at a percentage of annual fixed compensation.

The quantifiable portion of variable compensation (70% of the Target bonus base) is determined based on criteria and financial indicators and its amount depends on actual results compared with budget objectives set by the Board of Directors. These financial indicators for the quantifiable portion reflect the mid-term outlook published by the Group.

Based on the recommendations of the Compensation Committee and the attainment of qualitative criteria, the Board of Directors performs an overall assessment of the qualitative portion of variable compensation (30% of the Target bonus base).

The criteria considered for the quantifiable and qualitative portions of variable compensation for the last three years are presented below.

Additional components of annual compensation

In addition to his compensation, the Chairman and Chief Executive Officer may be eligible for a long-term compensation mechanism as described in Section 7.4.3 below. He is also entitled to a company car and to social security benefits equivalent to those of employees (healthcare and insurance). Additionally, he is eligible to participate in the supplementary defined contribution group pension plan applicable since July 1, 2014; presented in Section 7.4.2 below.

Determination of the compensation of the Chairman and Chief Executive Officer, Mr. Antoine Frérot, for fiscal years 2015, 2016 and 2017

Fixed compensation

Mr. Antoine Frérot has received annual fixed compensation of €950,000 for his duties as Chairman and Chief Executive Officer since 2015, compared with €900,000 in 2014 (+5.5%).

Annual variable compensation

2015 variable compensation

Following the proposals made by the Compensation Committee in line with the Group's objectives, the Board of Directors' Meeting of March 10, 2015 decided to:

- increase the amount of the Target bonus base to €1,187,500 or 125% of fixed compensation, if objectives are 100% attained;
- cap the 2015 variable compensation at €1,353,750 or 114% of target variable compensation;

In addition, the criteria for the 2015 variable compensation were set as follows:

- **the criteria for the quantifiable portion** of variable compensation (70% of the target bonus) were adjusted with regard to the attainment of the Company's 2015 budget objectives for:
  - Group net free cash flow (before financial investments and financial divestments and dividends) (weighted 35%),
  - the increase in current EBIT (weighted 35%).

These criteria formed part of the Group's objectives announced for 2015 concerning growth in the current EBIT and free cash flow indicators enabling notably coverage of dividend payments.

- **the criteria for the qualitative portion** of variable compensation (30% of the target bonus) were assessed by the Board of Directors, at the recommendation of the Compensation Committee, based on:
  - the Chairman and Chief Executive Officer's performance in carrying out the Group's strategic transformation plan (weighted 20%);
  - a Health and Safety criterion, tied to the decline in the lost time injury frequency rate (weighted 10%).

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At its meeting of March 8, 2016, the Board of Directors, at the recommendation of the Compensation Committee, set and approved the total amount of Mr. Antoine Frérot's variable compensation (quantifiable and qualitative portions) in respect of fiscal year 2015 as follows:

- the quantifiable portion of variable compensation was calculated at €1,088,608, *i.e.* 131% capped at 120% of the target quantifiable variable compensation (quantifiable Target bonus base), or €997,500, reflecting an attainment rate of 156% for the free cash flow criterion and of 106% for the current EBIT criterion;
- at its meeting of March 8, 2016, the Board of Directors decided to award Mr. Antoine Frérot €356,250 for the qualitative portion of his 2015 variable compensation, *i.e.* 100% of the target qualitative variable compensation (qualitative Target bonus base), primarily for the excellent results of the Group's strategic transformation plan (20%) and the decrease in the Group's lost time injury frequency rate (10%).

Mr. Antoine Frérot's variable compensation (quantifiable and qualitative) for fiscal year 2015 was therefore €1,353,750, or 114% of his Target bonus base for 2015. The cap on variable compensation for 2015 was 114% of his Target bonus base, which in turn is equal to 125% of fixed compensation, or €1,353,750.

2016 variable compensation

In accordance with the recommendations of the Compensation Committee, the Board of Directors' Meeting of March 8, 2016 decided to set the method of calculating the 2016 variable compensation as follows:

- reduction of the variable target portion from 125% to 100% of annual fixed compensation (2016 Target bonus base);
- cap on target variable compensation at 140% of annual fixed compensation for 2016, or €1,330,000.

In addition, the criteria for the 2016 variable compensation were set as follows:

- **the criteria for the quantifiable portion** of variable compensation (70% of the Target bonus base) were allocated as follows, it being noted that the quantifiable portion will be equal to the sum of the four components resulting from the application of each of these criteria separately:
  - 20% based on Group current EBIT,
  - 20% based on Group net free cash flow before financial investments, financial divestments and dividends,
  - 30% based on organic Group revenue (at constant exchange rates and excluding acquisitions and divestitures of more than €100 million but including acquisitions of privatized public services),
  - 30% based on Group ROCE (after tax).
- **the criteria for the qualitative portion** of variable compensation (30% of the Target bonus base) were as follows:
  - health and safety at work (basis: Group lost time injury frequency rate),
  - the environmental performance of the Group[1],
  - managerial performance,
  - strategic aspects.

At its meeting of March 7, 2017, the Board of Directors, at the recommendation of the Compensation Committee, set and approved the total amount of Mr. Antoine Frérot's variable compensation (quantifiable and qualitative portions) in respect of fiscal year 2016 as follows:

- the quantifiable portion of variable compensation was calculated at €554,553, *i.e.* a payment rate of 83.4% of the quantifiable portion of the Target bonus base. This reflects a payment rate of 106.9% for the Group current EBIT criteria, 140% for the free cash flows criteria, 0% for the organic Group revenue (at constant exchange rate) criteria and 113,3% for the Group ROCE (after tax) criteria;
- the Board of Directors' Meeting of March 7, 2017 decided to allocate €399,000 to Mr. Antoine Frérot in respect of the qualitative variable portion of his Target bonus base, notably as a result of the excellent results, assessed overall, with regards to (i) health and safety at work (basis: Group lost time injury frequency rate); (ii) environmental performance (basis: 2015-2016 trend in seven environmental indicators concerning the Group's activities[1]) (iii) managerial performance and (iv) strategic aspects.

Mr. Antoine Frérot's variable compensation (quantifiable and qualitative) for fiscal year 2016 was therefore €953,553, or 100.3% of his Target bonus base for 2016. The cap on variable compensation for 2016 was 140% of his Target bonus base, which in turn is equal to 100% of fixed compensation.

2017 variable compensation

In accordance with the recommendations of the Compensation Committee, the Board of Directors' Meeting of March 7, 2017 decided to set the method of calculating the 2017 variable compensation as follows:

- retention of the 2017 variable target portion at 100% of the annual fixed compensation (Target bonus base);
- cap on target variable compensation at 160% of annual fixed compensation for 2017, or €1,520,000.

In addition, the criteria for the 2017 variable compensation were set as follows:

- **the quantifiable criteria** (70% of the Target bonus base), consistent with the mid-term outlook published on February 23, 2017, were retained unchanged on 2016. They are allocated as follows, it being noted that the quantifiable portion will be equal to the sum of the four components resulting from the application of each of these criteria separately:
  - 20% based on Group current EBIT[2],
  - 20% based on Group net free cash flow before financial investments, financial divestments and dividends[2],

(1) Efficiency rate of drinking water networks; Rate of recovery from treated waste; CO_2 emissions by quantity of energy produced (via incineration); methane capture rate at landfill sites; production of renewable or alternative energy; energy efficiency of heating networks; biodiversity assessments and action plans.

(2) See Chapter 3, Section 3.10.3 Definitions - above.

- 30% based on organic Group revenue (at constant exchange rates and excluding acquisitions and divestitures of more than €100 million but including acquisitions of privatized public services);
- 30% based on Group ROCE[1] (after tax).

- **the qualitative criteria** (30% of the Target bonus base) for the 2017 variable compensation, were also maintained unchanged compared to 2016:
  - health and safety at work (basis: Group lost time injury frequency rate),
  - the environmental performance of the Group[2],
  - managerial performance,
  - strategic aspects.

At its meeting of March 6, 2018, the Board of Directors, at the recommendation of the Compensation Committee, set and approved the total amount of Mr. Antoine Frérot's variable compensation (quantifiable and qualitative portions) in respect of fiscal year 2017 as follows:

- the quantifiable portion of variable compensation was calculated at €828,774, reflecting a payment rate of 124.6% of the quantifiable portion of the Target bonus base. This reflects a payment rate for the quantifiable portion of the Target bonus base of 103.4% for the Group current EBIT criteria, 160% for the free cash flows criteria, 111.4% for the organic Group revenue (at constant exchange rate) criteria and 128.4% for the Group ROCE (after tax) criteria;
- the Board of Directors decided to allocate €399,000 to Mr. Antoine Frérot in respect of the qualitative variable portion of his 2017 compensation, reflecting a payment rate of 140% of the qualitative portion based on an excellent overall assessment founded on the attainment of the following criteria: health and safety at work (Group lost time injury frequency rate), environmental performance (base: 2016-2017 trend in seven environmental indicators concerning the Group's activities [1]), management performance and strategic aspects. The Board noted in particular that close attention must be paid to health and safety at work and environmental performance issues to ensure the continued improvement in these results.

Mr. Antoine Frérot's variable compensation (quantifiable and qualitative) for fiscal year 2017 is therefore €1,227,774, or 129% of his Target bonus base. The cap on variable compensation for 2017 was 160% of his Target bonus base, which in turn is equal to 100% of fixed compensation.

Summary of the calculation of variable compensation

Criteria	Weighting	Percentage of the Target bonus base paid	Amount *(in euros)*
Quantifiable	70%	124.60%	828,774
Qualitative	30%	140.00%	399,000
TOTAL 2017 VARIABLE COMPENSATION	100%	129.00%	1,227,774

Payment percentages for quantifiable variable compensation

Criteria	Weighting (base 70%)	Percentage of the quantifiable Target bonus base paid
Group current EBIT	20%	103.38%
Net free cash flow	20%	160.00%
Group organic revenue	30%	111.43%
Group ROCE (after tax)	30%	128.42%
TOTAL	100%	124.60%

In fiscal year 2017, total compensation paid to Mr. Antoine Frérot amounted to €1,905,229. Mr. Antoine Frérot thus received the fixed portion of his 2017 compensation (€950,000) and the variable portion of his 2016 compensation, paid in 2017 (€953,553). Finally, he received benefits in kind and waived his Directors' fees for 2017 for positions held in the Company and other companies of the Group.

For fiscal year 2017, total compensation payable is €2,179,450, representing a 14.37% increase on fiscal year 2016 and comprising the fixed portion of his 2017 compensation (€950,000), and the variable portion of his 2017 compensation (€1,227,774), as well as benefits in kind. Mr. Antoine Frérot did not receive Directors' fees for his positions held in the Company and other companies of the Group. However, pursuant to Article L. 225-100 of the French Commercial Code, the variable component of his 2017 compensation is contingent on the approval of the ninth resolution presented for shareholder vote at the Combined Shareholders' Meeting of April 19, 2018 (see Section 7.4.4.1 below).

(2) See Chapter 3, Section 3.10.3 Definitions - above.

(2) Efficiency rate of drinking water networks; Rate of recovery from treated waste; CO_2 emissions by quantity of energy produced (via incineration); methane capture rate at landfill sites; production of renewable or alternative energy; energy efficiency of heating networks; biodiversity assessments and action plans.

Summary of compensation received by Mr. Antoine Frérot

The table below summarizes all types of compensation. These are then set out in detail in the tables hereafter and in Section 7.4.3.1.2 below presenting information on share subscription or purchase options and performance shares and in Section 7.4.3.2 below presenting the Management Incentive Plan (MIP).

Summary of compensation, options and shares awarded to Mr. Antoine Frérot (AFEP-MEDEF Code Table 1)

(in euros)	Fiscal year 2015	Fiscal year 2016	Fiscal year 2017
Compensation payable for the fiscal year	2,305,787	1,905,552	2,179,450
Value of options granted during the fiscal year	-	-	-
Value of performance shares granted during the fiscal year	-	-	-
Value of other long-term compensation plans[(1)]	951,844[(2)]	492,069[(3)]	871,445[(4)]
TOTAL	3,257,631	2,397,621	3,050,895

N/A: not applicable
(1) Valuation of the Management Incentive Plan based on the closing share price as of December 31, 2017, i.e. €21.275 (see Section 7.4.3.2).
(2) i.e. 44,740 shares delivered on maturity of the plan in April 2018 subject to a continued employment condition at this date.
(3) i.e. 23,129 shares delivered on maturity of the plan in April 2018 subject to a continued employment condition at this date.
(4) i.e. provisional estimate of 40,961 shares delivered on maturity of the plan in April 2018 subject to a continued employment condition at this date.

Summary of compensation paid or payable to Mr. Antoine Frérot (AFEP-MEDEF Code Table 2)

	Fiscal year 2015		Fiscal year 2016		Fiscal year 2017	
(in euros)	Amounts payable for the fiscal year	Amounts paid during the fiscal year	Amounts payable for the fiscal year	Amounts paid during the fiscal year	Amounts payable for the fiscal year	Amounts paid during the fiscal year
Fixed compensation	950,000	950,000	950,000	950,000	950,000	950,000
Annual variable compensation	1,353,750[(2)]	1,207,113	953,553[(3)]	1,353,750	1,227,774[(4)]	953,553
Exceptional compensation	-	-	-	-	-	-
Directors' fees						
• Paid by Veolia Environnement	-	-	-	-	-	-
• Paid by controlled companies	-	-	-	-	-	-
Benefits in kind[(1)]	2,037	2,037	1,999	1,999	1,676	1,676
TOTAL	2,305,787	2,159,150	1,905,552	2,305,749	2,179,450	1,905,229

(1) Provision of a company car
(2) Variable portion for 2015 paid in 2016.
(3) Variable portion for 2016 paid in 2017.
(4) Variable portion for 2017 payable in 2018 subject to approval by the Combined Shareholders' Meeting of April 19, 2018.

Summary of multi-year variable compensation paid or payable to Mr. Antoine Frérot (AFEP-MEDEF Code Table 10)

(in euros)	Fiscal year 2015	Fiscal year 2016	Fiscal year 2017
Mr. Antoine Frérot, Chairman and Chief Executive Officer	-	-	-
TOTAL	-	-	-

2018 fixed compensation and variable compensation criteria

In accordance with the recommendations of the Compensation Committee, the Board of Directors' Meeting of March 6, 2018 decided to set the method of calculating the 2018 variable compensation as follows:

- retention of the weightings at 70% for the quantifiable portion and 30% for the qualitative portion;
- retention of the 2017 variable target portion at 100% of the annual fixed compensation (Target bonus base);
- retention of the cap on target variable compensation at 160% of annual fixed compensation for 2017, or €1,520,000.

In addition, the criteria for the 2018 variable compensation were set as follows:

- **the quantifiable criteria** (70% of the Target bonus base), consistent with the mid-term outlook published on February 22, 2018, were retained unchanged compared to 2017. They are allocated as follows, it being noted that the quantifiable portion will be equal to the sum of the four components resulting from the application of each of these criteria separately:

- 20% based on Group current EBIT[1],
- 20% based on Group net free cash flow before financial investments, financial divestments and dividends[1],
- 30% based on organic Group revenue (at constant exchange rates and excluding acquisitions and divestitures of more than €100 million but including acquisitions of privatized public services),
- 30% based on Group ROCE[1] (after tax).

- **the qualitative criteria** (30% of the Target bonus base) for the 2018 variable compensation, were also maintained unchanged on 2017:
  - health and safety at work (basis: Group lost time injury frequency rate),
  - environmental performance (basis: 2017-2018 trend in the same seven environmental indicators as in 2017 concerning the Group's activities)[2],
  - managerial performance,
  - strategic aspects.

Taking account of the recommendations of the Compensation Committee, the Board of Directors will perform an overall assessment of the 2018 qualitative portion based on these criteria.

Long-term compensation

Grant of share subscription or purchase options and performance shares

Grant of share subscription or purchase options: with regard to the share subscription or purchase option and performance share grant policy for the Company's Chairman and Chief Executive Officer, as of the date of filing of this Registration Document and since the former took office, the Board of Directors has not granted any financial instruments of this nature to the Chairman and Chief Executive Officer. Information regarding the grant or exercise of share subscription or purchase options during fiscal year 2017 can be found in Section 7.4.3.1 below.

Grant of performance shares: the General Shareholders' Meeting of April 21, 2016 voted a resolution authorizing the grant of free shares, not subject to performance conditions, to all Group employees of the French scope and performance shares to a selection of Group executives including the Chairman and Chief Executive Officer. During its meeting of March 7, 2017, at the recommendation of the Chairman and Chief Executive Officer, the Board of Directors decided not to continue the implementation of these plans as a contribution to the additional cost savings plan approved by the Board of Directors' Meeting of February 22, 2017. The implementation of these plans being null and void, the Chairman and Chief Executive Officer does not therefore hold any performance shares. Information regarding the grant or exercise of performance shares during fiscal year 2017 can be found in Section 7.4.3.1 below.

The Company's free share and performance share grant policy for 2018 is set out in Section 7.4.3.1 below.

Long-term incentive compensation plan, known as the "Management Incentive Plan" (MIP)

In October 2014, the Group implemented a long-term incentive plan known as the "Management Incentive Plan" ("MIP") authorized by the Board of Directors at its meeting of August 27, 2014. The plan was intended for the Group's 300 key managers (including Mr. Antoine Frérot as Chief Executive Officer, and Executive Committee members). Under this co-investment plan, Mr. Antoine Frérot purchased 24,403 Company shares on October 22, 2014 at a market price of €13.04 per share. The detailed features of this incentive plan and performance conditions are presented in Section 7.4.3.2 below.

The attainment of the performance condition relating to the share bonus vesting in respect of fiscal year 2017 was noted by the Compensation Committee on February 28, 2018 and the Board of Directors on March 6, 2018, based on the accounts adopted by the Board of Directors on February 21, 2018. As of the date of filing of this Registration Document, the share bonus for fiscal year 2017 had not yet been definitely set, as this calculation can only be finalized 20 trading days after the publication of the accounts on February 22, 2018. The share bonus vesting to Mr. Antoine Frérot in respect of 2017 is currently provisionally estimated at approximately 40,961 shares (representing approximately 90% of one year's annual fixed compensation). These shares will become available on expiry of the plan in April 2018.

At Mr. Antoine Frérot's proposal to the Compensation Committee, the Board of Directors' Meeting of March 6, 2018 took due note of his decision to hold until the termination of his term of office, 40% of the total share bonus granted under this plan, net of applicable social security contributions and taxes, until he has reached a total shareholding equal to 200% of his gross fixed compensation.

Directors' fees

At its meeting of March 6, 2018, the Board of Directors of Veolia Environnement took note of the renewal of Mr. Antoine Frérot's decision to waive his Directors' fees for 2018. Since 2012, Mr. Antoine Frérot has decided to waive Directors' fees paid by the Company and Group-controlled companies.

Severance payments and pension plans

Information on severance payments due in the event of termination of the office of Chairman and Chief Executive Officer and on pension plans is presented in Section 7.4.2.1 and Section 7.4.2.2 below, respectively.

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(1) See Chapter 3, Section 3.10.3 Definitions - above.

(2) Efficiency rate of drinking water networks; Rate of recovery from treated waste; CO_2 emissions by quantity of energy produced (via incineration); methane capture rate at landfill sites; production of renewable or alternative energy; energy efficiency of heating networks; biodiversity assessments and action plans.

Overview of the position as of December 31, 2017 (Table 11 of the AFEP-MEDEF Code)

	Employment contract[(1)]		Supplementary pension plan		Compensation or benefits payable or likely to be payable in the event of termination or a change of position		Compensation pursuant to a non-compete covenant	
Executive corporate officer	Yes	No	Yes	No	Yes	No	Yes	No
Antoine Frérot, Chairman and Chief Executive Officer Start date of term of office as Chief Executive Officer: November 27, 2009 End date of term of office as Chief Executive Officer: 2018 GSM		X[(1)]	X[(2)]		X[(3)]			X

(1) Pursuant to a decision adopted by the Board of Directors on December 17, 2009, the employment contract of the Chief Executive Officer, Mr. Antoine Frérot, was terminated with effect from January 1, 2010.

(2) Mr. Antoine Frérot is a beneficiary of the supplementary defined benefit group pension plan set up for category 8 and higher executives of Veolia Environnement closed with effect from June 30, 2014. Since July 1, 2014, he is a beneficiary of the supplementary defined contribution group pension plan set up notably for category 8 and higher executives.

(3) Pursuant to a decision adopted by the Board of Directors on March 11, 2014, Mr. Antoine Frérot is entitled to compensation in the event of termination of his term of office as Chief Executive Officer, in accordance with the provisions of the "TEPA" Act (Article L. 225-42-1 of the French Commercial Code) and the AFEP-MEDEF Code (see Section 7.4.2.1 above).

7.4.1.2 Compensation paid to Directors [(1)]

Amount and allocation of Directors' fees in 2017

The General Shareholders' Meeting of April 22, 2015, at the proposal of the Board of Directors and the recommendation of the Compensation Committee, set the total amount of Directors' fees at €1,080,000. This request to increase the total amount of Directors' fees was made to take account of the appointment of two Directors representing employees on October 15, 2014, the appointment of an additional Director of American nationality and residing in the United States, proposed to the General Shareholders' Meeting of April 22, 2015, the appointment of an additional non-voting member *(censeur)* of Canadian nationality and residing in Canada, the increase in Directors' fees for Directors and non-voting members *(censeur)* residing on another continent (€2,000 per meeting attended in person by the relevant Director or non-voting member) and the reorganization of the Board Committees.

In accordance with the proposals of the Compensation Committee, the Board of Directors' meeting of March 8, 2016 decided not to ask the General Shareholders' Meeting of April 20, 2017 to increase the total amount of Directors' fees for 2017. It was decided to increase from €33,600 to €40,000 the amount of Directors' fees paid for the duties of Director.

The Board of Directors also took note of the renewal of the decision by the Chairman and Chief Executive Officer to waive his Directors' fees for 2017, and decided to continue allocating Directors' fees in 2017 in the same way as in 2016, with the exception of the above change, as follows: a fixed portion of 40% and a variable portion of 60% based on attendance rates; the Board of Directors' meeting of March 25, 2014 decided to extend this rule to Directors' fees allocated to Committee Chairmen and members.

Directors' fees were allocated as follows as of December 31, 2017:

- €40,000 for the office of Director, including (a) a fixed amount of €16,000, divided into four quarterly payments of €4,000 per quarter, and (b) a potential variable amount of €24,000 maximum, divided into four quarterly payments of €6,000 and adjusted based on the number of meetings held during each quarter of the relevant fiscal year and the number of meetings that the Director attends;
- an additional amount of €2,000 per meeting subject to attendance (physical presence of the relevant Director or non-voting member) for each Director and non-voting member *(censeur)* residing on another continent;
- an additional amount of €8,400 subject to the attendance rate of a director as a member (not a Chairman) of a Board Committee;
- an additional amount of €50,000 subject to the attendance rate for the Vice-Chairman;
- an additional amount of €50,000 subject to the attendance rate for the Senior Independent Director;
- an additional amount of €67,200 subject to the attendance rate for the Chairman of the Accounts and Audit Committee;
- an additional amount of €16,800 subject to the attendance rate for the Chairman of the Nominations Committee;
- an additional amount of €16,800 subject to the attendance rate for the Chairman of the Compensation Committee;
- an additional amount of €16,800 subject to the attendance rate for the Chairman of the Research, Innovation and Sustainable Development Committee; and
- €16,800 for the office of non-voting member (*i.e.*, 50% of the amount payable for the office of Director), half of which payable in proportion to the attendance rate of the non-voting member *(censeur)* at meetings.

(1) Non-executive corporate officers.

Table of Directors' fees in 2017-2016

The table below shows the amount of Directors' fees paid in 2017 and 2016, as well as the amount payable for these two fiscal years to members of the Board of Directors of Veolia Environnement by the Company and by controlled companies. Moreover, since 2012, Mr. Antoine Frérot has decided to waive Directors' fees paid by the Company and Group-controlled companies.

	2017		2016	
(in euros)	Amounts[(1)] paid for the fiscal year		Amounts[(1)] paid for the fiscal year	
Director	By the Company	By controlled companies	By the Company	By controlled companies
Homaira Akbari	55,378.5	0	48,117	0
Jacques Aschenbroich	62,340	0	54,740	0
Maryse Aulagnon	44,995.4	0	36,680	0
Daniel Bouton	114,000	0	109,200	0
Caisse des dépôts et consignations	34,200	0	26,880	0
Isabelle Courville[(2)]	46,155.4	0	33,991	0
Antoine Frérot[(3)]	0	0	0	0
Clara Gaymard	47,538.5	0	37,315	0
Marion Guillou	52,200	0	49,840	0
Pavel Páša[(4)]	46,800	0	83,202[(7)]	0
Baudouin Prot	38,040	0	31,360	0
Qatari Diar Real Estate Investment Company	22,800	0	20,160	0
Nathalie Rachou	41,610	0	41,370	0
Georges Ralli[(5)]	N/A	N/A	17,575	0
Paolo Scaroni	46,800	0	37,595	0
Louis Schweitzer	172,000	0	166,640	0
Guillaume Texier[(6)]	40,878.5	0	14,862	0
Pierre Victoria[(4)]	51,600	0	98,741[(7)]	0
Paul-Louis Girardot, non-voting member *(censeur)*	36,000	12,875	28,280	0
Serge Michel, non-voting member *(censeur)*	36,000	2,990	42,969	5,430
TOTAL	989,336.1	15,865	979,517	5,430

N/A: Not applicable
(1) Amounts before withholding tax deducted at source.
(2) Mrs. Isabelle Courville was appointed as a director by the Combined General Meeting of April 21, 2016. Mrs. Isabelle Courville was appointed a non-voting member (censeur) by the Board of Directors' Meeting of March 10, 2015, effective the same date for an initial term ending at the Combined General Meeting of April 21, 2016.
(3) The full compensation of Mr. Antoine Frérot is presented in Section 7.4.1.1 below. At its meetings of March 8, 2016 and March 7, 2017, the Board of Directors took note of the renewal of Mr. Antoine Frérot's decision to waive his Directors' fees for 2016 and 2017.
(4) Mr. Pavel Páša and Mr. Pierre Victoria were appointed as Directors representing employees by the Group's France and European Works Councils, respectively, on October 15, 2014. They joined the Board of Directors at its meeting on November 5, 2014. At its meeting of March 10, 2015, the Board of Directors recorded Mr. Pierre Victoria's decision to transfer his Directors' fees to his trade union and Mr. Pavel Páša's intention to transfer his Directors' fees to an organization representing or assisting employees.
(5) The term of office of Mr. Georges Ralli expired on April 21, 2016.
(6) Mr. Guilaume Texier was appointed a director by the Combined General Meeting of April 21, 2016.
(7) Directors' fees paid in 2016 include, in addition to Directors' fees for the fourth quarter of 2015 and the first, second and third quarters of 2016, Directors' fees for the fourth quarter of 2014 and the first, second and third quarters of 2015, not paid in 2015.

Amount and allocation of Directors' fees in 2018

At its meeting of March 6, 2018 and in accordance with the recommendations issued by the Compensation Committee, the Board of Directors decided to ask the Shareholders' Meeting of April 19, 2018 to increase the total annual amount of Directors' fees from €1,080,000 to €1,200,000, *i.e.* an increase of 11.1%. This request to increase the total amount of Directors' fees is made for the following reasons: the change in the composition of the Board Committees with the addition of members in 2017, the increase in fees paid to members of the Accounts and Audit Committee from €8,400 to €16,800 and the increase in the additional amount payable to Directors and, where applicable, non-voting members *(censeurs)* residing on another continent from €2,000 to €3,000.

The Board of Directors also took note of the renewal of the decision by the Chairman and Chief Executive Officer to waive his Directors' fees for 2018, and decided to continue allocating Directors' fees in 2018 in the same way as in 2017 (see details in the above Section "Amount and allocation of Directors' fees in 2016").

7.4.1.3 Compensation of executives excluding the Chairman and Chief Executive Officer (Executive Committee members)

All members of the Executive Committee in office on December 31, 2017 (see Section 7.3.3 above), (excluding the Chairman and Chief Executive Officer) received total gross compensation of €8,354,873 in 2017 (for an Executive Committee comprising ten members excluding the Chairman and Chief Executive Officer), compared with €7,539,774 in 2016 (for an Executive Committee comprising ten members excluding the Chairman and Chief Executive Officer).

The tables below show the total gross compensation paid to members of the Company's Executive Committee as of December 31, 2015, 2016 and 2017, with the exception of the Chairman and Chief Executive Officer, including the fixed and variable compensation paid or payable by Veolia Environnement in respect of these fiscal years, benefits in kind and Directors' fees received by Executive Committee members in respect of Directorships held in companies of the Group in France and abroad.

The quantifiable and qualitative portions of variable compensation of members of the Executive Committee (excluding the Chairman and Chief Executive Officer) are generally determined based on the same weightings applied to their Target bonus base (quantifiable portion of 70% and qualitative portion of 30%) and the same quantifiable and qualitative criteria applicable to the Chairman and Chief Executive Officer. Note, however, that a weighting of the attainment of region-specific indicators to Group indicators is applied for members of the Executive Committee who are regional Senior Executive Vice-Presidents.

The 2017 average variable compensation of Executive Committee members represents approximately 101% of their fixed compensation.

	Fiscal year 2015 (10 members)	
(in euros)	Amounts payable for the fiscal year	Amounts paid during the fiscal year
Fixed compensation	3,660,000	3,674,864
Annual variable compensation	3,685,766	2,929,159
Directors' fees		
• Paid by Veolia Environnement	-	-
• Paid by controlled companies	-	-
Benefits in kind(1)	13,000	13,000
TOTAL	**7,358,766**	**6,617,023**

(1) These figures do not include any housing allowances or expatriation compensation paid.

	Fiscal year 2016 (10 members)	
(in euros)	Amounts payable for the fiscal year	Amounts paid during the fiscal year
Fixed compensation	3,830,000	3,840,899
Annual variable compensation	3,339,669	3,685,766
Directors' fees		
• Paid by Veolia Environnement	-	-
• Paid by controlled companies	-	-
Benefits in kind(1)	13,109	13,109
TOTAL	**7,182,778**	**7,539,774**

(1) These figures do not include any housing allowances or expatriation compensation paid.

	Fiscal year 2017 (10 members)	
(in euros)	Amounts payable for the fiscal year	Amounts paid during the fiscal year
Fixed compensation	3,850,000	3,850,039
Annual variable compensation	5,117,586	4,492,723
Directors' fees		
• Paid by Veolia Environnement	-	-
• Paid by controlled companies	-	-
Benefits in kind(1)	12,111	12,111
TOTAL	8,979,697	8,354,873

(1) These figures do not include any housing allowances or expatriation compensation paid.

7.4.2 PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

There is no contract between the members of the Board of Directors and the Company or its subsidiaries that provides for the payment of benefits or compensation that is due, or may be due, in the event of members ceasing or changing their duties within the Company or its subsidiaries, other than the Chairman and Chief Executive Officer's termination compensation and the supplementary group pension plans described below.

7.4.2.1 Compensation in the event of termination of the office of Chairman and Chief Executive Officer

It is noted that, in accordance with the AFEP-MEDEF Code, the Board of Directors of the Company, at its meeting of December 17, 2009, recorded the termination, as of January 1, 2010, of Mr. Antoine Frérot's employment contract, which had been suspended on November 27, 2009 when he was appointed Chief Executive Officer of Veolia Environnement. The termination of Mr. Antoine Frérot's employment contract caused him to lose the right under the collective bargaining agreement to receive severance compensation related to his years of service within the Group (over 20 years as of that date). The Board of Directors, following a proposal from the Nominations and Compensation Committee, and further to the approval of shareholders at the General Shareholders' Meeting of May 7, 2010 decided to award Mr. Antoine Frérot compensation in the event of the termination of his term of office as Chief Executive Officer, in accordance with the provisions of the "TEPA" Act (Article L. 225-42-1 of the French Commercial Code; law relating to employment, labor and purchasing power).

On the renewal of Mr. Antoine Frérot's term of office in 2014, the Board of Directors' Meeting of March 11, 2014 decided, at the recommendation of the Compensation Committee, to authorize the renewal of this termination compensation under conditions similar to those previously granted and in accordance with the provisions of the AFEP-MEDEF Code.

In the context of the renewal of Mr. Antoine Frérot's term of office in 2018, the Board of Directors' Meeting of March 6, 2018 decided, at the recommendation of the Compensation Committee, to authorize the renewal of this termination compensation under conditions similar to those previously granted in accordance with the provisions of the AFEP-MEDEF Code, namely:

- payment of this compensation would be limited only to **"forced departure"**. It would not apply where (1) Mr. Antoine Frérot leaves the Company on his own initiative excluding the case of a "forced departure", or (2) he is able to claim his full retirement on the date of termination of his duties as Chief Executive Officer, or (3) he accepts after his departure as Chief Executive Officer, a proposed reclassification to an Executive Management position (as employee or corporate officer) within the Group;
- the maximum amount would be limited to **twice the yearly gross compensation of the last fiscal year** (excluding Directors' fees and benefits in kind) including the fixed portion of his compensation during the last year ("Fixed Portion") and the average of the variable portions ("Variable Portion") paid or payable for the last three fiscal years prior to termination of his position as Chief Executive Officer ("Reference Compensation");
- the calculation of this amount and of the fixed and variable portions of this compensation would both depend on the attainment of performance conditions. This severance payment would be **equal to twice the sum of** (1) the Variable Component of his Reference Compensation (average over the previous 3 fiscal years) and (2) the Fixed Component of his Reference Compensation (last fiscal year) **corrected by a "Performance Rate" corresponding to the average percentage attainment of the target variable compensation bonus** (also called "base bonus target" or 100% attainment of annual objectives) **for the last 3 fiscal years ended before the termination of his duties**.

The renewal of this severance payment due in the event of termination of Mr. Antoine Frérot's term of office will be presented to the Combined Shareholders' Meeting of April 19, 2018 and represents a commitment governed by Article L. 225-42-1 of the French Commercial Code in favor of the Chairman and Chief Executive Officer.

7.4.2.2 Supplementary group pension plan

Supplementary defined benefit group pension plan in place until June 30, 2014

The defined benefit group pension plan open to all executives of category 8 and higher (and the Chairman and Chief Executive Officer) was modified, with effect from July 1, 2013, by the Board of Directors' Meeting of March 14, 2013, upon a motion by the Chairman and Chief Executive Officer and after a favorable opinion by the Works Council and the Nominations and Compensation Committee. The pension plan was capped at 10% of the reference compensation, in turn capped at 8 times the annual social security ceiling.

In accordance with the provisions of Articles L. 225-38 and L. 225-40 of the French Commercial Code and on the basis of a special report prepared by the Statutory Auditors, the General Shareholders' Meeting of May 14, 2013 approved these changes to the extent that they concern the Chairman and Chief Executive Officer.

This plan was closed with a freeze on entitlements and closure of the plan to new members with effect from June 30, 2014.

The detailed features of this defined benefit group pension plan pursuant to Article L. 225-102-1 of the French Commercial Code are presented in Section 7.4.5.1 below.

Supplementary defined contribution pension plan in place from July 1, 2014

After a favorable opinion of the Works Council and the Nominations and Compensation Committees, the Board of Directors, decided, at its meeting of March 11, 2014, upon a motion by the Chairman and Chief Executive Officer:

- to close the supplementary defined benefits group pension plan for executives of category 8 and higher (including the Chairman and Chief Executive Officer who does not hold an employment contract) with a freeze on entitlements and closure of the plan to new members, effective June 30, 2014;
- and to amend, effective July 1, 2014, the existing supplementary defined contribution group pension plan.

In accordance with the provisions of Articles L. 225-38 and L. 225-40 of the French Commercial Code and on the basis of a special report prepared by the Statutory Auditors, the General Shareholders' Meeting of April 24, 2014 approved these changes concerning the Chairman and Chief Executive Officer.

In accordance with the recommendations of the AFEP-MEDEF Code, the value of the benefits provided by the supplementary pension plan is taken into account when setting the Chairman and Chief Executive Officer's total compensation. Furthermore, the group of potential beneficiaries is not limited to the Chairman and Chief Executive Officer, but also includes category 8 and higher executives employed by the Company.

The reference period used to calculate benefits is the average compensation calculated over three years, excluding compensation paid at the time of employment termination or retirement, as well as any other type of extraordinary compensation.

Following the closure of the supplementary defined benefit group pension plan for executives of category 8 and higher with effect from June 30, 2014, any entitlement accumulated under this plan will be calculated according to its value as of June 30, 2014. Accordingly, the reference compensation corresponds to the average of the last three calendar years prior to the closure of the plan and the service history used for calculation purposes will be that as at June 30, 2014.

Provided that he is still present in the Company at the time of retirement in accordance with legal requirements, the theoretical annual amount of the lifetime annuity paid by the defined benefit pension plan to the Chairman and Chief Executive Officer, could represent 6% of his annual reference compensation. This reference compensation is capped at 8 times the annual social security ceiling.

This theoretical annual lifetime annuity would be reduced by the annuities paid by the Group defined contribution pension plan to which the Chairman and Chief Executive Officer is entitled by virtue of his affiliation with the Group, calculated without payment of survivor benefits.

Therefore, the theoretical annuity, under the Group defined benefit pension plan will be eliminated if the entitlement accumulated under the defined contribution pension plan would result in a higher annuity based on the estimated capital at the retirement date. Assuming a retirement age of 62 and based on a total annual compensation level of between 1.5 and 2.3 million euros, the potential annuity of the Chairman and Chief Executive Officer under all pension plans (including the basic social security retirement plan, the complementary pension plans and the Company's group supplementary pension plans) could represent a theoretical amount of approximately 6% to 9% of his annual compensation.

The detailed features of this defined benefit group pension plan pursuant to Article L. 225-102-1 of the French Commercial Code are presented in Section 7.4.5.2 below.

7.4.3 LONG-TERM PROFIT-SHARING PLANS

7.4.3.1 Share subscription and/or purchase options, free shares and performance shares

7.4.3.1.1 Company's stock option, free share and performance share grant policy

Company policy for fiscal year 2017

The Board of Directors' Meeting of March 8, 2016, at the recommendation of the Compensation Committee, set the Company's general policy with respect to incentive arrangements for executives and managers of the Group for 2016.

In this context, the Board of Directors decided, for fiscal year 2016, to favor the grant of performance shares (with a vesting period ending in 2019) to replace the Management Incentive Plan (MIP), which expires in April 2018. Accordingly, the Board of Directors asked the General Shareholders' Meeting of April 21, 2016 to approve, for a period of eighteen months, an authorization to grant free shares to all employees of the France scope (approximately 45,000 potential beneficiaries) and performance shares to a group of executives (approximately 600 beneficiaries) comprising the Chairman and Chief Executive Officer, members of the Company's Executive Committee as well as the top executives of the Group and high potential employees. This authorization was requested up to a maximum ceiling of 0.5% of the share capital on the day of the General Shareholders' Meeting of April 21, 2016, including a sub-ceiling of 0.2% for free shares and a sub-ceiling of 0.3% for performance shares. Within this second sub-ceiling, 0.03% of the share capital could be granted to the Chairman and Chief Executive Officer.

During its meeting of March 7, 2017, at the recommendation of the Chairman and Chief Executive Officer, the Board of Directors decided not to continue the implementation of these plans as a contribution to the additional cost savings plan approved by the Board of Directors' Meeting of February 22, 2017.

Accordingly, no stock options, free shares or free shares subject to performance conditions (performance shares) were granted in 2017.

Company policy for fiscal year 2018

The Board of Directors' Meeting of March 6, 2018, at the recommendation of the Compensation Committee, set the Company's general policy with respect to incentive and long-term compensation arrangements for executives and managers of the Group for 2018.

In this context, the Board of Directors decided, for fiscal year 2018, to favor the grant of performance shares (with a 3-year vesting period relating to fiscal years 2018, 2019 and 2020) to replace the Management Incentive Plan (MIP), which expires in April 2018. Accordingly, the Board of Directors will ask the Combined Shareholders' Meeting of April 19, 2018 to approve, for a period of eighteen months, (i) an authorization to grant free shares to all employees of the France scope (approximately 50,000 potential beneficiaries) pursuant to the provisions of Article L. 225-197-6 of the French Commercial Code and (ii) performance shares to a group of executives (approximately 700 beneficiaries) comprising the Chairman and Chief Executive Officer, members of the Executive Committee as well as the top executives of the Group, high potential employees and key contributors. This authorization will be requested up to a maximum ceiling of 0.5% of the share capital on the day of the Combined Shareholders' Meeting of April 19, 2018, including a sub-ceiling of 0.1% for free shares and a sub-ceiling of 0.4% for performance shares. Within this second sub-ceiling, 0.04% of the share capital may be granted to the Chairman and Chief Executive Officer.

Implementation of this free share and performance share grant is planned for 2018. The grant of free shares without performance conditions to all employees of the Company and its subsidiaries in the France scope (excluding the Chairman and Chief Executive Officer) would precede the grant of performance shares and the vesting period for these free shares would be one year with an additional lock-in period of two years. The grant of performance shares would be subject to a three-year vesting period with no additional lock-in period, subject to a specific shareholding obligation applicable to the Chairman and Chief Executive Officer and members of the Company's Executive Committee to be determined by the Board of Directors.

The vesting of these performance shares would be subject to a continued employment condition at the end of the three-year vesting period and a financial performance condition corresponding to a 10% average annual increase in current net income attributable to owners of the Company per share from 2017, recognized on expiry of the plan expected in 2021 and based on the results for fiscal years 2018, 2019 and 2020. If this average increase is less than 5%, no performance shares will vest, while between 5% and 10% they will vest on a proportional basis.

At the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 6, 2018 decided that the following holding obligations would apply in the event of implementation of this performance share plan (subject to the approval of the twenty-first resolution presented to the Combined Shareholders' Meeting of April 19, 2018):

- for the Chairman and Chief Executive Officer, obligation to hold until the termination of his duties, 40% of total performance shares granted under this plan, net of applicable social security contributions and taxes, until he has reached a total shareholding equal to 200% of his gross annual fixed compensation;
- for members of the Company's Executive Committee, obligation to hold until the termination of their duties, 25% of total performance shares granted under this plan, net of applicable social security contributions and taxes, until they have reached a total shareholding equal to 100% of their gross annual fixed compensation.

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Overview of share subscription and/or purchase option grants as of December 31, 2017 (AFEP-MEDEF Code Table 8)

	Subscription options
	Plan no. 8
Meeting date	05/07/2010
Date of the Board of Directors' Meeting	09/28/2010
Total number of options initially granted	2,462,800
• Of which total number of options granted to corporate officers	0
Number of corporate officers initially concerned	0
Number of employees initially concerned	1,221
Exercise start date	09/29/2014
Expiry date	09/28/2018
Strike price*	€22.50
Number of options exercised as of December 31, 2017	0
Total number of subscription and purchase options canceled or expired	2,462,800
Subscription or purchase options at the year end	0
Total number of shares that may be subscribed or purchased as of December 31, 2017**	**0*****

* *Adjusted, where necessary, to take account of transactions impacting the Company's share capital.*
** *After application of legal adjustments and the plan performance conditions, after taking into account options exercised and any changes in the situation of beneficiaries since each plan was set up.*
*** *Except in the event of a public offer for the Company's shares, in which case the 2,127,400 stock options under Plan no. 8 would become exercisable.*

For information on the potential dilution resulting from share subscription options and free shares, please refer to Chapter 2, Section 2.1.5 above.

Overview of performance share grants as of December 31, 2017 (AFEP-MEDEF Code Table 9):

Veolia Environnement has not granted any performance shares as of December 31, 2017.

7.4.3.1.2 Share subscription and purchase options granted to and exercised by executive corporate officers in 2017

Share subscription and/or purchase options granted during the fiscal year to executive corporate officers by Veolia Environnement and any other Group company or which became available (AFEP-MEDEF Code Table 4)

Executive corporate officer	Plan number and date	Type of option	Valuation of the options	Number of options granted during the fiscal year	Strike price *(in euros)*	Exercise period
Mr. Antoine Frérot, Chairman and Chief Executive Officer	None	-	-	-	-	-

Share subscription and/or purchase options exercised during the fiscal year by executive corporate officers (AFEP-MEDEF Code Table 5)

Executive corporate officer	Plan number and date	Number of options exercised during the fiscal year	Strike price *(in euros)*
Mr. Antoine Frérot, Chairman and Chief Executive Officer	None	-	-

7.4.3.1.3 Options granted to the top ten employees other than corporate officers in fiscal year 2017 and options exercised by them during the fiscal year

Share subscription and/or purchase options granted to the top ten employee beneficiaries other than corporate officers and options exercised by them	Total number of options granted/ shares subscribed or purchased	Average weighted price**	Plan number
Options granted during fiscal year 2017 by Veolia Environnement and any company within the scope of the option award, to the ten employees of Veolia Environnement and any other company included within this scope, having received the greatest number of shares	None	-	-
Options held in Veolia Environnement and the companies referred to above exercised during fiscal year 2017 by the ten employees of Veolia Environnement and the aforementioned companies, having exercised the greatest number of options*	None	-	-

* *Excluding options exercised by employees who have left the Group.*
** *Strike price after legal adjustments.*

7.4.3.1.4 Performance shares granted to and exercised by executive corporate officers in 2017

Performance shares granted during the fiscal year to executive corporate officers by Veolia Environnement and any other Group company (AFEP-MEDEF Code Table 6)

Executive corporate officer	Plan number and date	Number of shares granted during the fiscal year	Valuation of the shares	Vesting date	Availability date	Performance conditions
Mr. Antoine Frérot, Chairman and Chief Executive Officer	None	-	-	-	-	-

Performance shares that became available during the fiscal year to executive corporate officers (AFEP-MEDEF Code Table 7)

Executive corporate officer	Plan number and date	Number of shares that became available during the fiscal year	Vesting conditions
Mr. Antoine Frérot, Chairman and Chief Executive Officer	None	-	-

7.4.3.2 Management Incentive Plan (MIP)

In October 2014, the Group set up a long-term incentive mechanism, known as the "Management Incentive Plan" (MIP), for the Group's top 300 executives (including the Chairman and Chief Executive Officer and the members of the Executive Committee).

This plan was based on a joint investment approach with a personal investment by the beneficiary in the Company's shares, accompanied by the grant, subject to performance conditions, of an "additional" share bonus financed by the Group (primarily through the grant of treasury shares held by the Company).

The initial investment made by the beneficiary resulted in a guarantee limited to 80% of the value of his/her investment (excluding any income or other taxes payable by the beneficiary), except for the Chairman and Chief Executive Officer and the members of the Executive Committee, whose investments were not guaranteed. The maximum amount of the investment was equal to three times the reference gross monthly salary determined by the Group, and could not be less than €5,000.

The share bonus, granted in three tranches, was linked to the attainment of the following criteria: an increase in the price of the share over the acquisition price at the time of the initial investment in October 2014, and net recurring income attributable to the Group per share. These criteria were assessed at three dates (March 2016, March 2017 and March 2018) corresponding to the publication of the Company's annual financial statements for 2015, 2016 and 2017. The gains were calculated at each of these dates, but definitively vested at the expiry of the plan in April 2018, subject on that date to (i) confirmation that the beneficiaries in question satisfy the requirement of continued employment, and (ii) retention by the beneficiaries of the initial share investment.

It is recalled that the MIP was approved by the Board of Directors' Meeting of August 2, 2014. In this context and with respect to fiscal year 2013 results, the allocation in full of the share bonus was subject, pursuant to the MIP rules, to the attainment of a "target" level of Adjusted net income (replaced by current net income) per share for each of the three fiscal years, 2015, 2016 and 2017.

These "target" performance conditions was significantly exceeded (see table below). Compared with fiscal year 2013, the increase in current net income per share was +171% in 2015, +184% in 2016 and +189% in 2017. MIP beneficiaries are therefore eligible to the allocation in full of the share bonus attaching to the number of shares purchased on the implementation of this mechanism (October 2014).

Fiscal year	"Target" level of current net income per share as defined in the MIP regulations	Actual current net income per share
Fiscal year 2013	-	€0.39 per share
Fiscal year 2014	-	€0.59 per share
Fiscal year 2015	€0.70 per share	€1.06 per share
Fiscal year 2016	€0.75 per share	€1.11 per share
Fiscal year 2017	€0.80 per share	€1.13 per share

The performance condition relating to the share bonus vesting in respect of fiscal year 2017 was attained in full and noted by the Compensation Committee on February 28, 2018 and the Board of Directors on March 6, 2018, based on the accounts adopted by the Board of Directors on February 21, 2018.

As of the date of filing of this Registration Document, the share bonus for fiscal year 2017 had not yet been definitely set, as this calculation can only be finalized 20 trading days after the publication of the accounts on February 22, 2018, the reference share price for the calculation of the share price increase being determined over the 20 trading days between February 23 and March 22, 2018. Subject to this, the share bonus vesting to Mr. Antoine Frérot is currently estimated at approximately 40,961 shares (representing approximately 90% of his annual fixed compensation). These shares will become available on expiry of the plan at the end of April 2018.

At Mr. Antoine Frérot's proposal to the Compensation Committee, the Board of Directors' Meeting of March 6, 2018 took due note of his decision to hold until the termination of his term of office, 40% of the total share bonus granted under this plan, net of applicable social security contributions and taxes, until he has reached a total shareholding equal to 200% of his gross fixed compensation.

As of December 31, 2017, 400,479 shares were invested in this plan, including 100,308 shares acquired by members of the Executive Committee at the subscription date.

Pursuant to Article L. 621-18-2 of the French Monetary and Financial Code, the shares purchased by the members of the Executive Committee (including the Chairman and Chief Executive Officer) were reported to the French Financial Markets Authority (AMF).

7.4.4 COMPONENTS OF COMPENSATION SUBJECT TO SHAREHOLDER VOTE IN ACCORDANCE WITH ARTICLE L. 225-37-2 AND ARTICLE L. 225-100 OF THE FRENCH COMMERCIAL CODE

7.4.4.1 Approval of the fixed, variable and exceptional items of total compensation and advantages of all kind paid or due to Mr. Antoine Frérot by virtue of his mandate as Chairman and Chief Executive Officer, with respect to fiscal year 2017 ("Vote *ex post*")

(Resolution 9)

In compliance with article L. 225-100 of the French Commercial Code, as amended by the Sapin II law addressing transparency, anti-corruption and economic **modernization, the 9th resolution submits** to the approval of the Shareholders' Meeting the fixed, variable and exceptional items of total compensation and advantages of all kind paid or due to Mr. Antoine Frérot by virtue of his mandate as Chairman and Chief Executive Officer, with respect to fiscal year 2017. It should be noted that all these items are described in detail in Chapter 7, Section 7.4 of the 2017 Registration Document and summarized in the table below.

Compensation items	Amounts	Comments
Fixed compensation	**€950,000**	Upon the recommendations of the Compensation Committee, the Board of Directors, at its March 8, 2016 meeting, decided to set the frequency of review of the fixed compensation at every three years with effect from January 1, 2016, in the absence of any major events. Accordingly and upon recommendations of the Compensation Committee, the 2017 gross fixed compensation remained unchanged.
Variable compensation	**€1,227,774**	At its March 6, 2018 meeting, the Board of Directors, upon recommendation of the Compensation Committee set and approved the total amount of Mr. Antoine Frérot's variable compensation (quantifiable and qualitative components) with respect to the 2017 fiscal year at €1,227,774. At its March 7, 2017 meeting, the Board of Directors, upon recommendation of the Compensation Committee had decided to review the calculation methods of his variable compensation as follows: • respective weight of the quantifiable portion (70%) and of the qualitative portion (30%) remains unchanged; • 2017 target variable compensation (in the event of attainment of the objectives set by the Board of Directors) set at 100% of the annual fixed compensation ("Base target bonus"); • variable compensation capped (in the event objectives are exceeded) at 160% of annual fixed compensation for 2017, or €1,520,000. **According to those methods and the attainment of the criteria which determine the calculation of the variable portion, the amount of this variable portion for 2017 fiscal year has been determined as follows:** **I) with respect to the quantifiable criteria:** the criteria for the quantifiable portion of the variable compensation were unchanged compared to 2016 and are allocated as follows, the quantifiable portion being equal to the total of the components resulting from the application of each of these criteria separately: • 20% based on Group current EBIT (103.38%), • 20% based on net free cash flow before financial investments, financial divestments and dividends (160%), • 30% based on organic Group revenue, at constant exchange rates and excluding acquisitions and divestitures of more than €100 million but including acquisitions of privatized public services, (111.43%), • 30% based on Group ROCE after tax (128.42%). The quantifiable variable portion equals to €828,774 reflecting an overall payout ratio of 124.6%. **ii) with respect to the qualitative criteria:** at its March 6, 2018 meeting, the Board of Directors decided to allocate to Mr. Antoine Frérot an amount of €399,000 as variable qualitative portion of his 2017 compensation i.e. 140% of the qualitative portion based on an excellent overall assessment of the following criteria: health and safety at work (rate of workplace accidents with sick leave), environmental performance, managerial performance and strategic aspects. The Board of Directors particularly noted that health and safety at work as well as environmental performance will require special vigilance so that their respective results continue to increase. **Mr. Antoine Frérot's variable compensation (quantifiable and qualitative components) with respect to the 2017 fiscal year therefore amounts to €1,227,774, equalling to 129% of his Base target bonus with respect to the 2017 fiscal year.** **In accordance with article L. 225-100, II, the variable compensation will be paid to Mr. Antoine Frérot only after approval of the 9th resolution by this Shareholers' Meeting.**

Compensation items	Amounts	Comments
Multi-year variable compensation	No payment	Mr. Antoine Frérot did not benefit in 2017 from any payment under multi-year variable compensation.
Exceptional compensation	N/A	Mr. Antoine Frérot does not benefit from any exceptional compensation.
Launch of a long-term incentivizing compensation plan called "Management *Incentive Plan" (MIP)*	Granting of a bonus in shares for 2017, estimated at 40,961 shares, valued at €871,445 (base: stock price of €21.275 at December 31, 2017)	Considering the closure of the defined benefit pension plan of which the Chairman and Chief Executive Officer was a member until June 30, 2014, the Board of Directors decided and authorized on August 27, 2014, the launch, in October 2014, of a long-term incentive compensation plan called "Management Incentive Plan" (MIP), with the following main characteristics: • beneficiaries: restricted category of staff of around 300 executives, including the Chairman & Chief Executive Officer, Mr. Antoine Frérot; • personal investment via the acquisition of Veolia Environnement shares (at market price) for an amount ranging between €5,000 (minimum) and three months of gross compensation (maximum). This investment gives right, subject to continued employment and financial performance (attainment of "target" levels of the net current income of the share for each of the fiscal years 2015-2016-2017 and share price), to the allocation of a bonus in shares at the expiry of the Plan, *i.e.* in April 2018. This bonus in shares is funded by the Company via the allocation of treasury shares (no dilution). It is to be allocated in three tranches on the basis of the financial performance recorded in the 2015, 2016, and 2017 fiscal years, when annual financial statements are released, and acquired only when the plan expires in April 2018, provided that the beneficiary's continued employment is confirmed as well as the fact that he/she has kept the shares initially invested in until the plan expires. For each of the three tranches, this bonus is five times the rise in the Veolia Environnement share in comparison with the initial acquisition price, weighted by the extent to which the objectives set for the increase in the Group's income have been met (indicator drawn on: net current income per share); • the 80% protection of the investment granted to Plan beneficiaries does not apply to either Mr. Antoine Frérot or the members of the Executive Committee. In compliance with the procedure concerning related-party agreements and undertakings, this agreement has been approved by the Board of Directors on August 27, 2014, and approved by the Shareholders' Meeting on April 22, 2015 (in its 6th resolution). Under this plan, Mr. Antoine Frérot acquired 24,403 Company shares at their market price of €13.04 on October 22, 2014. The performance conditions required by this plan having been fully reached and largely exceeded, for the 2017 fiscal year, the share bonus vested to Mr. Antoine Frérot is provisionally estimated (the calculation shall be final as of March 23, 2018) to approximately 40,961 shares (representing approximately 90% of a year of his annual fixed compensation). Mr. Antoine Frérot will be entitled to dispose of his shares upon maturity of the plan, at the end of April 2018. It is to be noted that, the attainment of the performance conditions required by this plan as well as the amount of the bonuses allocated to Mr. Antoine Frérot for the fiscal years 2015 and 2016 are detailed in Section 7.4 "Compensation and benefits" of the 2017 Registration Document of the Company. Furthermore, upon proposal of Mr. Antoine Frérot to the Compensation Committee, at its March 6, 2018 meeting, the Board of Directors duly noted his decision to retain, until the end of his duties, 40% of the total bonus allocated according to this plan, net of the applicable tax and social charges until reaching, eventually, an objective of an overall shareholding corresponding to 200% of his gross fixed annual compensation.
Directors' fees	N/A	Mr. Antoine Frérot has waived his right to receive Directors' fees as Chairman of the Board of Directors of Veolia Environnement and under the mandates he holds in Group companies.
Allocation of stock options and/or of performance shares	No allocation	Since his appointment as Chief Executive Officer of the Company (November 27, 2009), Mr. Antoine Frérot was not allocated any stock options and/or performance shares. The Shareholders' Meeting of April 21, 2016 decided to enable the allocation of free shares without performance conditions to all of the Group's employees belonging to the French perimeter on the one hand, and the allocation of performance shares to a group of Group executives, including the Chief Executive Officer on the other hand. At its March 7, 2017 meeting, the Board of Directors, upon proposal of its Chairman and Chief Executive Officer, decided to suspend and do not pursue the implementation of those plans in order to contribute to the additional savings plan approved by the Board of Directors during his February 22, 2017 meeting.

Compensation items	Amounts	Comments
Severance payment	No payment	Mr. Antoine Frérot benefits from a severance payment in case of termination of his functions as Chief Executive Officer. It is applicable solely in the event of a "forced departure". In accordance with the AFEP-MEDEF Corporate Governance Code, the maximum amount of this severance payment is capped at twice the CEO's total gross annual compensation for the last fiscal year (excluding Directors' fees and compensation in kind) including the sum of the fixed component of his compensation for the previous fiscal year ("Fixed Component") and the average of the variable component ("Variable Component") paid or due with respect to the last 3 fiscal years closed before the termination of service of the Chief Executive Officer ("Reference Compensation"). The amount of said severance payments and its fixed and variable components depends in both cases on the extent to which performance conditions have been fulfilled. Indeed, the calculation of the severance payment is equal to twice the sum of (1) the Variable Component of the Reference Compensation (average over the previous 3 fiscal years) and of (2) the Fixed Component of the Reference Compensation (last fiscal year) corrected by a "Performance Rate" corresponding to the average percentage of successfully reaching the target bonus (also called "base bonus", which corresponds to meeting 100% of the annual objectives) with respect to the last 3 fiscal years closed before the end of his duties. Pursuant to the procedure relating to related-party agreements and undertakings, this commitment was authorized by the Board of Directors at its March 11, 2014 meeting and approved by the Shareholders Meeting of April 24, 2014 (8th resolution).

Supplementary pension plan	No payment	The Board of Directors meeting on March 11, 2014 decided, on a proposal of its Chairman & Chief Executive Officer and after a favourable opinion was given by the Works Council and the Appointments and Compensation Committee(1), to:
		• close down the supplementary defined benefit group pension plan for category 8 and higher management employees (including the Chairman & Chief Executive Officer who does not hold an employment contract) with a freeze on entitlements and closing of the plan to new members, effective June 30, 2014;
		• effective July 1, 2014, change the existing supplementary defined contribution group pension plan with the following main characteristics:
		  • this plan is open to all executives of category 8 and higher (including the Chairman & Chief Executive Officer),
		  • its funding is ensured by contributions to the plan equal to a percentage of the compensation of the relevant employees,
		  • payment of these contributions breaks down as follows: 2.25% employer share for tranches A, B and C; 1.25% employee share for tranches A, B and C; 4.50% employer share above tranche C; 2.50% employee share above tranche C,
		  • pension amount: the amount of the supplementary pension is not defined in advance. For each employee, it is calculated on the settlement date for all mandatory and optional pensions based on the contributions paid to the insurance company and other parameters assessed on that date.
		In compliance with the procedure concerning related-party agreements and undertakings, the changes made in the supplementary defined contribution pension plan insofar as they relate to the Chairman & Chief Executive Officer have been authorized by the Board of Directors at its March 11, 2014 meeting and approved by the Shareholders' Meeting of April 24, 2014 (7th resolution) on the basis of the special report drawn up by the Statutory Auditors.
		Provided he is still present in the Company at the time of retirement in accordance with legal conditions, the amount of the lifetime annuity from the defined benefit pension plan will depend on Mr. Antoine Frérot's retirement age, amount of contributions paid, and possible optional individual payments under the supplementary defined contribution pension plan. Note that this theoretical annuity will be superseded as soon as the rights acquired under the defined contributions plan will provide a larger annuity. Should the Chairman & Chief Executive Officer retire at the age of 62 and on the basis of a level of total annual compensation ranging between €1.5 million and €2.3 million, his potential annuity under all the pension plans (including the basic Social Security scheme, additional plans and the supplementary group pension plan) could amount to a theoretical payment of around 6 to 9% of his annual compensation.

Collective healthcare and insurance plans		Mr. Antoine Frérot benefits from the collective healthcare and insurance plan in force within the Company under the same conditions as those applicable for the category of employees with which he is assimilated for the terms of setting of social benefits and other ancillary components of his compensation. In compliance with the procedure concerning related-party agreements and undertakings, this agreement was authorized by the Board of Directors on March 11, 2014, and approved by the Shareholders' Meeting on April 24, 2014 (7th resolution).
Compensation in kind	**€1,676**	Mr. Antoine Frérot enjoys the use of a company car.

(1) This Committee was split into two separate Committees following the Board of Directors' decision at its March 25, 2014 meeting.

Ninth resolution: **Approval of the fixed, variable and exceptional items of total compensation and advantages of all kind paid or due to Mr. Antoine Frérot by virtue of his mandate as Chairman and Chief Executive Officer, with respect to fiscal year 2017**

Acting in accordance with the quorum and majority requirements for Ordinary General Meetings and after having considered the report of the Board of Directors and the report on the Corporate Governance integrated in the management report of the Board of Directors, the General Shareholders' Meeting approves pursuant to article L. 225-100, II of the French Commercial Code, the fixed, variable and exceptional components of total compensation and benefits of all kinds paid or payable for the year ended December 31, 2017 to Mr. Antoine Frérot, Chairman and Chief Executive Officer, as set forth in Chapter 7, Section 7.4 of the 2017 Registration Document.

7.4.4.2 Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of total compensation and benefits of all kinds that may be awarded to the Chairman and Chief Executive Officer in respect of fiscal year 2018 ("Vote *ex ante*")

(Resolution 10)

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, **you are asked in the 10th resolution** to approve the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of total compensation and benefits of all kind that may be awarded to the Chairman and Chief Executive Officer in respect of fiscal year 2018. Note that all these components are presented in Chapter 7, Section 7.4 of the Company's 2017 Registration Document and summarized in the table below.

In addition to the fixed and variable compensation components, **the Chairman and Chief Executive Officer would be entitled, as in 2017, to a company car, a supplementary defined contribution pension plan, collective healthcare and insurance plans. Furthermore, he would be entitled to severance payments according to the 7th resolution submitted to the approval of this Ordinary Shareholders' Meeting. Finally, he could be entitled to the allocation of performance shares if the 21rd resolution is approved by your Shareholders' Meeting.** He does not receive Directors' fees, multi-year cash compensation, compensation under a non-compete clause or have an employment contract within the Group.

Pursuant to Article L. 225-37-2 of the French Commercial Code, the payment of the variable compensation is subject to the approval by an Ordinary Shareholders' Meeting of the compensation of the Chairman and Chief Executive Officer in accordance with Article L. 225-100 of the French Commercial Code.

2018 compensation policy	Amount	Comment
2018 fixed compensation	**€950,000**	Upon the recommendations of the Compensation Committee, the Board of Directors decided to set the frequency of review of the fixed compensation of the Chairman and the Chief Executive Officer at every three years with effect from January 1, 2016, in the absence of any major events. Accordingly, it retains unchanged for fiscal year 2018, the 2016 gross fixed compensation decided by the Board of Directors' Meeting of March 8, 2016.
2018 variable compensation		The Board of Directors' Meeting of March 6, 2018, upon the recommendation of the Compensation Committee, decided to review the method of calculating the variable compensation of the Chairman and the Chief Executive Officer as follows: • respective weight of the quantifiable portion (70%) and of the qualitative portion (30%) remains unchanged; • 2017 target variable compensation (in the event of attainment of the objectives set by the Board of Directors) set at 100% of the annual fixed compensation ("Base target bonus"); • variable compensation capped (in the event objectives are exceeded) at 160% of annual fixed compensation for 2018, or €1,520,000. **i) with respect to the quantifiable criteria:** in accordance with the medium-term outlook published on February 22, 2018, the criteria for the quantifiable portion of the variable compensation are unchanged compared to 2017 and are therefore allocated as follows, the quantifiable portion being equal to the total of the components resulting from the application of each of these criteria separately: • 20% based on Group current EBIT, • 20% based on net free cash flow before financial investments, financial divestments and dividends, • 30% based on organic *growth in* Group revenue (at constant exchange rates and excluding acquisitions and divestitures of more than €100 million but including acquisitions of privatized public services), • 30% based on Group ROCE (after tax). The quantifiable variable compensation portion will be determined based on the attainment of the 2018 budget objectives which are consistent with the outlook announced to the market on February 22, 2018. **ii) with respect to the qualitative criteria:** the determination of the qualitative portion (30% of the target bonus) is determined based on an overall assessment of the following criteria, unchanged compared to 2016: • health and safety at work (rate of workplace accidents with sick leave), • environmental performance, • managerial performance, • strategic aspects. The 2018 qualitative portion of variable compensation will be assessed as a whole by the Board of Directors based on recommendations issued by the Compensation Committee.

2018 compensation policy	Amount	Comment
Project to allocate performance shares to a group of around 700 Group executives, including the Chief Executive Officer		In the context of the 21st resolution submitted to the Shareholders' Meeting of April 19, 2018, upon recommendation of the Compensation Committee, the Board of Directors proposed that it be granted an authorization, valid for an 18-months period, in order to allocate free shares without performance conditions (with a 1-year acquisition period and a 2-year retention period) to all of the Group's employees belonging to the French perimeter and representing approximately 50,000 potential beneficiaries (with the exclusion of the Chief Executive Officer), and to allocate performance shares to a group of approximately 700 Group senior executives with high potential and key contributors to the Group, including the Chief Executive Officer. This plan, which would be implemented during 2018 and would come to an end in 2021, would replace the Management Incentive Plan (MIP) which is scheduled to end in April 2018. This plan would be subject to the following limits: • **a global limit of 0.5%** of the share capital, appreciated on the date of this Shareholders' Meeting, **including a first sublimit of 0.1% of the share capital,** on the allocation of free shares without performance conditions, **a second sublimit of 0.4% of the share capital, appreciated on the date of this Shareholders' Meeting, on the allocation of performance shares, of which 0.04%** of the share capital **for the Chief Executive Officer.** The allocation of performance shares would be subject to the following conditions: • beneficiaries have to **remain within the Group** until the end of the 3-year vesting period *i.e.* until the expiration of the plan scheduled in 2021; and • a **financial performance condition** corresponding to an average growth of the Group's current net income earnings per share set to 10% per year as of 2017, and as recorded at the end of the plan period in 2021 with respect to the 2018-2019-2020 income. If this average growth were to be of less than 5%, no performance share would be vested. A proportionality rule would apply between 5% and 10%. Upon proposal of the Compensation Committee, at its meeting of March 6, 2018, the Board of Directors decided that, in the frame of the implementation of this plan (subject to the approval of the 21st resolution by this Shareholders' Meeting), the following retention obligations will apply: • for the **Chief Executive Officer,** obligation to retain, until the end of his duties, 40% of the total performance shares allocated according to this plan, net of the applicable tax and social charges until reaching, eventually, an overall shareholding corresponding to 200% of his gross fixed compensation. • for the members of the Executive Committee ("Comex") of the Company, obligation to retain, until the end of their duties within the Comex, 25% of the total of the performance shares allocated according to this plan, net of the applicable tax and social charges until reaching, eventually, an overall shareholding corresponding to 100% of the gross fixed annual compensation. In accordance with the provisions of the AFEP-MEDEF Code, the Board of Directors, when implementing this performance share plan expected in 2018, will fix the percentage of the compensation corresponding to the performance shares which would be allocated, in particular, to the corporate officer. **Upon recommendation of the Compensation Committee, the Board of Directors stipulated that the Chief Executive Officer would benefit from an allocation of performance shares equaling and limited to 100% of its 2018 fixed compensation.**

Tenth resolution: **Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of total compensation and benefits of all kinds that may be awarded to the Chairman and Chief Executive Officer in respect of fiscal year 2018**

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings and having considered the report of the Board of Directors and the report on the Corporate Governance, integrated in the management report of the Board of Directors, pursuant to Article L. 225-37-2 of the French Commercial Code, approves the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of total compensation and benefits of all kind that may be awarded to the Chairman and Chief Executive Officer in respect of fiscal year 2018, as set forth in Chapter 7, Section 7.4 of the 2017 Registration Document.

7.4.5 DETAILED FEATURES OF PENSION PLANS

7.4.5.1 Defined benefit pension plan

Pursuant to Article L. 225-102-1 of the French Commercial Code, the main features of this plan were as follows:

1. Title of the commitment: defined benefit pension plan.
2. Legal provisions enabling the identification of the corresponding plan category: Article 39 of the French General Tax Code; Article L. 137-11 of the French Social Security Code.
3. Conditions to benefit from the plan and other eligibility conditions:
   - at least five years' service;
   - completion of the beneficiary's career in the Company;
   - presence in the Company workforce at the time of voluntary or involuntary retirement;
   - settlement of the general plan at the full rate (including mandatory basic pensions or supplementary pensions).
4. Method for determining the reference compensation under the relevant plan, used to calculate the entitlement of beneficiaries: the reference compensation used to determine the amount of the pension was the average of the last three years' full compensation subject to a maximum of 8 times the annual social security ceiling (€313,824 in 2017);
5. Vesting features: the maximum annual increase in potential pension entitlements was estimated at 0.4%.
6. Existence of a ceiling and the amount and method of setting the ceiling: the pension amount was determined based on the number of years' service in the Group and capped at 10% of the reference compensation for beneficiaries with more than 30 years' service (*i.e.* €31,382 in 2017)
7. Funding terms and conditions: by the Company through insurance contracts subscribed with two external insurance companies.
8. Estimated amount of the lifetime annuity at the period end: following the closure of the supplementary defined benefit group pension plan for executives of category 8 and higher with effect from June 30, 2014, any entitlement accumulated under this plan will be calculated according to its value as of June 30, 2014. Accordingly, the reference compensation corresponds to the average of the last three calendar years prior to the closure of the plan and the service history used for calculation purposes will be that as at June 30, 2014.

Provided that he is still present in the Company at the time of retirement in accordance with legal requirements, the theoretical annual amount of the lifetime annuity paid by the defined benefit pension plan to the Chairman and Chief Executive Officer, could represent 6% of his annual reference compensation. This reference compensation is capped at 8 times the annual social security ceiling.

At the end of 2017, the annual annuity payable to Mr. Antoine Frérot, calculated without payment of survivor benefits, is estimated at approximately €19,000.

This theoretical annual lifetime annuity would be reduced by the annuities paid by the Group defined contribution pension plan to which the Chairman and Chief Executive Officer is entitled by virtue of his affiliation with the Group, calculated without payment of survivor benefits.

Accordingly, in our example, given the estimated amount of the defined contribution annual annuity calculated without payment of survivor benefits of €21,000, at the age of 62, the estimated amount of Mr. Antoine Frérot's defined benefit annual annuity would be nil.

9. Related tax and social security contributions borne by the Company:
   - premiums payable to external insurance companies are deductible for income tax purposes,
   - with respect to the special contribution introduced by the Fillon law and applicable to variable entitlement defined benefit pension plans, Veolia Environnement has elected to apply the tax rate of 32% on annuities to annuities settled after January 1, 2013 (and the tax rate of 16% to annuities settled before December 31, 2012).

7.4.5.2 Supplementary defined contribution pension plan

Pursuant to Article L. 225-102-1 of the French Commercial Code, the main features of this plan are as follows:

1. Title of the commitment: defined contribution pension plan.
2. Legal provisions enabling the identification of the corresponding plan category: Article 83 of the French General Tax Code.
3. Conditions to benefit from the plan and other eligibility conditions: the beneficiary category consists of executives of the Company within the meaning of Article 4 of the AGIRC national collective agreement (the supplementary pension fund for executives), whose compensation is greater than or equal to three times the annual social security ceiling (€117,684 in 2017). Compensation includes all components subject to social security contributions (fixed salary, variable salary, bonuses, benefits in kind).
4. Method for determining the reference compensation under the relevant plan, used to calculate the entitlement of beneficiaries: not applicable.
5. Vesting features: not applicable.
6. Existence of a ceiling and the amount and method of setting the ceiling: not applicable.
7. Funding terms and conditions:
   - funding of the plan: contributions to the plan are equal to a percentage of the compensation of the relevant employees;

- contribution payments break down as follows: 2.25% employer contribution for tranches A, B and C; 1.25% employee contribution for tranches A, B and C; 4.50% employer contribution above tranche C; 2.50% employee contribution above tranche C;
- optional individual payments: these may be made within the limits of the available tax and social security budget;

8. Estimated amount of the lifetime annuity at the period end:
   - the amount of the supplementary pension is not defined in advance. For each employee, it is calculated on the liquidation date for all mandatory and optional pensions based on the reserves held by the insurance company and other parameters assessed on that date. Based on the estimated capital at the end of 2017, Mr. Antoine Frérot's defined contribution annual annuity payable when he reaches retirement age (62 years old, given his date of birth) and calculated without payment of survivor benefits, is estimated at approximately €21,000;
9. Related tax and social security contributions borne by the Company:
   - employer social security contributions are deductible for income tax purposes, liable to a 20% flat-rate social contribution and excluded from the tax base for social security contributions up to the higher of the following two amounts: 5% of the annual social security ceiling and 5% of the compensation adopted capped at five times the annual social security ceiling.

7.5 Corporate officer and executive share ownership

Pursuant to Article L. 621-18-2 of the French Monetary and Financial Code and Article 223-22 of the AMF General Regulations, members of the Board of Directors and the Company's executives, or any person with close links to them, are required to notify the AMF of any acquisitions, sales, subscriptions or exchanges of Company securities or financial instruments, within three business days of completing the transaction.

In addition, directors and executives are also subject to French regulations on breach of duty and insider trading, which penalize the use or disclosure of inside information.

Finally, directors and executives are required to comply with the Company's Code of Conduct (hereinafter the "Code") governing trading in its securities (see Chapter 5, Section 5.2.2.6 and Chapter 7, Section 7.2.1.7 above). This Code was updated for the provisions of Regulation (EU) no. 596/2014 of April 16, 2014 on market abuse and the positions-recommendations issued by the AMF and set out in its guidance on permanent reporting and the management of inside information and its guidance on periodic reporting. In this context, the Inside Information Committee created in November 2016 (see Chapter 5, Section 5.4.4 below), classified the members of the Company's Executive Committee as permanent insiders. They can therefore only purchase or sell Company securities, directly or through an intermediary, under certain conditions (notably after consulting the Inside Information Committee) and during specific, time-limited periods, in particular after the publication of the Company's annual and interim results.

7.5.1 DIRECTOR AND NON-VOTING MEMBER SHARE OWNERSHIP AND TRANSACTIONS IN VEOLIA ENVIRONNEMENT SHARES

To the Company's knowledge, on December 31, 2017, members of the Board of Directors, including non-voting members *(censeurs)*, held a total of 26,115,431 Veolia Environnement shares, representing 4.6% of the Company's share capital as of that date. The table below sets out the number of Veolia Environnement shares held individually by each of the Company's directors and non-voting members *(censeurs)*:

	Number of shares held as of 12/31/17	Number of shares held as of 12/31/2016
Antoine Frérot	36,450	36,450
Louis Schweitzer	21,132	16,132
Homaira Akbari	3,000	3,000
Jacques Aschenbroich	2,176	2,176
Maryse Aulagnon	1,000	1,000
Daniel Bouton	3,065	3,065
Caisse des dépôts et consignations, represented by Olivier Mareuse	26,036,119	26,036,119
Isabelle Courville	1,000	1,000
Clara Gaymard	750	750
Marion Guillou	750	750
Pavel Pása, Director representing employees	0	0
Baudouin Prot	1,687	1,687
Qatari Diar Real Estate Investment Company, represented by Nabeel Al Buenain	750	750
Nathalie Rachou	822	822
Paolo Scaroni	916	916
Guillaume Texier	750	750
Pierre Victoria, Director representing employees	762	762
Paul-Louis Girardot, non-voting member *(censeur)*	1,208	1,208
Serge Michel, non-voting member *(censeur)*	3,094	3,094
TOTAL	26,115,431	26,110,431

The table below details transactions in Veolia Environnement securities during fiscal year 2017 performed by directors of the Company. To the best of the Company's knowledge, no other transactions involving the purchase or sale of Veolia Environnement securities by directors or any person with close personal links to them were reported during fiscal year 2017:

Director	Financial instrument	Type of transaction	Transaction date	Unit price *(in euros)*	Total transaction amount *(in euros)*
Louis Schweitzer	Shares	Acquisition	03/15/17	16.0065	80,032.50
Isabelle Courville(1)	Shares	Acquisition	09/14/17	19.6550	19,655

(1) On September 14, 2017, Mrs. Isabelle Courville purchased 1,000 Veolia Environnement shares after having sold the 1,000 Veolia Environnement shares that she held in a securities account in Canada. Mrs. Isabelle Courville performed this transaction to comply with prevailing French regulations that require securities held by directors in listed companies to be held in registered form and necessitate the opening of a non-resident securities account with a French banking institution.

7.5.2 TRANSACTIONS IN VEOLIA ENVIRONNEMENT SECURITIES BY EXECUTIVES

To the best of the Company's knowledge, no purchases or sales of Veolia Environnement securities were reported by Executive Committee members (see Section 7.3 above) or any person with close personal links to them during fiscal year 2017.

7.6 Statutory Auditors' report on related party agreements and commitments

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described.

General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2017.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on the related party agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments and agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code *(Code de commerce)*, to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code *(Code de commerce)* relating to the implementation during the past year of agreements and commitments previously approved by the shareholders' meeting, if any.

We performed the procedures that we considered necessary with regard to the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* applicable to this engagement. These guidelines require that we verify the consistency of the information provided to us with the relevant source documents.

1. AGREEMENTS AND COMMITMENTS PRESENTED TO THE GENERAL SHAREHOLDERS' MEETING FOR APPROVAL

1.1 Agreements and commitments authorized during the fiscal year

We hereby inform you that we have not been advised of any agreement or commitment authorized during the year to be submitted to the approval of the Shareholders' Meeting pursuant to Article L. 225-38 of the French Commercial Code.

1.2 Agreements and commitment authorized since the year end

We have been advised of the following agreements and commitments authorized since the year end, previously authorized by your Board of Directors.

1.2.1 Continuation of the supplementary defined contribution pension plan benefiting the Chairman and Chief Executive Officer

Board of Directors' Meeting of March 6, 2018

Person concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer.

In line with commitments given by the Board of Directors' Meeting of March 14, 2013 and after a favorable opinion of the Works Council and the Nominations and Compensation Committee, the Board of Directors, decided at its meeting of March 11, 2014, upon a motion by the Chairman and Chief Executive Officer:

- to close the supplementary defined benefit group pension plan for executives of category 8 and higher (including the Chairman and Chief Executive Officer who does not hold an employment contract), effective June 30, 2014, with a freeze on entitlement at the level attained at this date and closure of the plan to new members;
- to amend with effect from July 1, 2014, the supplementary defined contribution pension plan with the following main features:
  - category of beneficiaries: executives within the meaning of Article 4 of the AGIRC national collective agreement (the supplementary pension fund for executives), whose compensation is greater than or equal to three times the annual social security ceiling. Compensation includes all components subject to social security contributions (fixed salary, variable salary, bonuses, benefits in kind). In particular, this plan is open to management employees of category 8 and higher (including the Chairman and Chief Executive Officer),
  - funding of the plan: contributions to the plan are equal to a percentage of the compensation of the relevant employees,
  - contribution payments break down as follows: 2.25% employer contribution for tranches A, B and C, 1.25% employee contribution for tranches A, B and C, 4.50% employer contribution above tranche C, 2.50% employee contribution above tranche C,

- pension amount: the amount of the supplementary pension is not defined in advance. For each employee, it is calculated on the settlement date for all mandatory and optional pensions based on the reserves held by the insurance company and other parameters assessed on that date,
- optional individual payments: these may be made within the limits of the available tax and social security budget.

The Board of Directors' Meeting of March 6, 2018 authorized the retention of the supplementary defined contribution pension plan benefiting the Chairman and Chief Executive Officer.

1.2.2 Continuation of additional healthcare and insurance coverage for the Chairman and Chief Executive Officer

Board of Directors' Meeting of March 6, 2018

Person concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer.

In the context of the termination of the employment contract of the Chairman and Chief Executive Officer effective as of January 1, 2010, the Board of Directors' meeting of December 17, 2009 authorized the Chairman and Chief Executive Officer to continue to benefit from the additional healthcare and insurance coverage enjoyed by all company employees after the date of termination of his employment contract. The Board of Directors' Meeting of March 6, 2018 renewed this authorization.

1.2.3 Severance payments (TEPA Act) for the Chairman and Chief Executive Officer

Board of Directors' Meeting of March 6, 2018

Person concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer.

At the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 6, 2018 decided to provide for the payment to Mr. Antoine Frérot of severance payments on the termination of his duties as Chief Executive Officer, subject to the attainment, duly noted by the Board of Directors, on or after the termination of said duties, of conditions relating to Mr. Antoine Frérot's performance assessed with respect to the Company's performance.

The maximum amount of the severance payment will be capped at twice Mr. Antoine Frérot's total gross annual fixed and variable compensation for the previous fiscal year for his duties as Chief Executive Officer (excluding Directors' fees and benefits in kind), including the sum of the fixed portion of his compensation for the previous fiscal year ("Fixed Portion") and the average of the variable portion ("Variable Portion") paid or payable in respect of the last 3 fiscal years ending before the termination of his duties as Chief Executive Officer (this annual compensation being defined hereafter as the "Reference Compensation"). The calculation method is described in the 2017 Registration Document.

The amount of the severance payment is equal to twice the sum of (i) the Variable Portion of the Reference Compensation (average over the previous three fiscal years) and (ii) the Fixed Portion of the Reference Compensation corrected by a performance rate (the "Performance Rate") corresponding to the average percentage attainment of the target bonus (also called "Bonus Base" or 100% attainment of annual objectives) for the last three fiscal years ending before the termination of his duties.

The Performance Rate (applicable to the Fixed Portion) is defined as the ratio of (i) the average variable compensation paid or payable for the last three fiscal years preceding the date of termination of the duties of Chief Executive Officer (numerator) to (ii) the average target variable compensation ("target bonus" corresponding to 100% attainment of annual objectives) for the same fiscal years (denominator).

The severance payment would be limited only to "forced departure" and would not apply where (1) Mr. Antoine Frérot leaves the Company on his own initiative excluding the case of a "forced departure", or (2) he is able to claim his full retirement on the date of termination of his duties as Chief Executive Officer, or (3) he accepts after his departure as Chief Executive Officer, a proposed reclassification to an Executive Management position (as employee or corporate officer) within the Group.

2. AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY GENERAL SHAREHOLDERS' MEETINGS

Agreements and commitments approved in prior fiscal years

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed of the following agreements and commitments, previously approved by shareholders in prior years and having continuing effect during the year.

2.1 Agreement on the Group's withdrawal from Transdev

Board of Directors' Meeting of July 29, 2016

Persons concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer, and a director of Transdev Group, an entity owned 30/70 by Veolia Environnement and Caisse des dépôts et consignations;

- Caisse des dépôts et consignations, legal entity Director with a 4.62% shareholding in Veolia Environnement, represented by Mr. Olivier Mareuse.

During its meeting of July 29, 2016, the Board of Directors authorized the signature by Veolia Environnement (VE) and Caisse des dépôts et consignations (CDC) of an agreement and its appendices, comprising a share sale agreement, a shareholders' agreement and a settlement protocol regarding the complete withdrawal of VE from the Transport business of Transdev Group and its subsidiaries. Pursuant to these contracts signed on December 21, 2016 and at this date of effect (the "Date of Effect"), VE (i) sold to CDC 20% of the Transdev Group share capital, thereby reducing its stake to 30% following this transaction and (2) acquired for a symbolic amount, all shares held by Transdev Group in SNCM, in the course of liquidation.

Under the terms of these contracts, the following agreements continued in effect during fiscal year 2017:

- the agreement on the sale of VE's residual 30% investment to be completed within a maximum of two years from the Date of Effect, through cross put and call options, with VE undertaking to seek out a third-party buyer during this period. In the event of the sale of the 30% residual investment to a third-party, VE undertook to grant the latter a specific warranty covering a dispute;
- the continuation of the warranty covering three SNCM appeals (State assistance, cancellation of the Public Service Delegation arrangement, abuse of a dominant position with CMN) granted to CDC under the May 4, 2010 agreements. VE granted a compensation commitment valid until December 31, 2019, covering CDC against any loss suffered directly or indirectly through Transdev, relating to SNCM;
- the shareholders' agreement amended at the Date of Effect between VE and CDC, in the presence of Transdev Group setting out (i) governance principles adapted to the new share capital allocation and (ii) the conditions for transferring Transdev Group shares;
- as of December 31, 2017, the guarantee agreements between VE, CDC and Transdev Group and the counter-guarantee protocol between VE and CDC resulting from the merger agreement of May 4, 2010 (as amended on March 3, 2011) and not expired or lapsed at that date, continue in effect in accordance with their terms and conditions (including those relating to SNCM referred to above).

2.2 Agreements concerning the remuneration of guarantees issued by your Company on behalf of its subsidiaries

Board of Directors' Meeting of May 17, 2011

Agreement signed between your Company and its subsidiary Veolia Eau-Compagnie Générale des Eaux (99.99% shareholding)

Person concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer – Managing Director of Veolia Eau-Compagnie Générale des Eaux.

The parties agreed on the need to ensure that Veolia Environnement is fairly remunerated for services rendered to Veolia Eau-Compagnie Générale des Eaux subsidiaries through the issue of endorsements and guarantees of any nature, granted to any third party.

The remuneration payable depends on the country in which the guarantee operates, the nature and the term of the guarantee issued as well as the amount of the commitment given. These contracts were entered into for an indefinite term.

On this basis and for fiscal year 2017, your Company recorded income of €1,176,575 in respect of commitments issued on behalf of Veolia Eau-Compagnie Générale des Eaux subsidiaries.

2.3 Agreement relating to Veolia Environnement's administrative headquarters in Aubervilliers

Board of Directors' Meeting of October 22, 2012

Agreement entered into with Icade SA, a subsidiary of Caisse des dépôts et consignations, the latter being a legal entity Director of both Icade and of Veolia Environnement.

Person concerned:

- Caisse des dépôts et consignations, legal entity Director with a 4.62% shareholding in Veolia Environnement, represented by Mr. Olivier Mareuse.

In the context of the relocation to Veolia Environnement's administrative headquarters in Aubervilliers, it is recalled that following negotiations relating to the signature of a protocol on October 31, 2012, two concurrent acts were signed on January 31, 2013 setting out (i) the compensation terms for Icade in the event Veolia Environnement withdraws from this project and (ii) the terms of a 9-year firm lease for off-plan property (BEFA) subject to receipt of building authorization. Following the receipt of building authorization and the delivery of the building on July 18, 2016, this lease took effect at this date and the deed defining the compensation terms for Icade in the event Veolia Environnement withdrew from this project became null and void.

Under the terms of this 9-year lease, Veolia may terminate the lease at the end of the second three-year period subject to compensation conditions.

The Company recorded a rental expense payable to the lessor of €16,635,653 in respect of fiscal year 2017.

2.4 Continuation of additional healthcare and insurance coverage for the Chairman and Chief Executive Officer

Board of Directors' meeting of March 11, 2014

Person concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer.

In the context of the termination of the employment contract of the Chairman and Chief Executive Officer effective as of January 1, 2010, the Board of Directors' meeting of December 17, 2009 authorized the Chairman and Chief Executive Officer to continue to benefit from the additional healthcare and insurance coverage enjoyed by all company employees after the date of termination of his employment contract. The Board of Directors' Meeting of March 11, 2014 renewed this authorization.

The cost of retaining the benefits of this plan for the Chairman and Chief Executive Officer was €12,032 for fiscal year 2017.

2.5 Supplementary defined contribution pension plan benefiting the Chairman and Chief Executive Officer

Board of Directors' meeting of March 11, 2014

Person concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer.

Your Company amended with effect from July 1, 2014, the supplementary defined contribution pension plan with the following main features:

- category of beneficiaries: executives within the meaning of Article 4 of the AGIRC national collective agreement (the supplementary pension fund for executives), whose compensation is greater than or equal to three times the annual social security ceiling. Compensation includes all components subject to social security contributions (fixed salary, variable salary, bonuses, benefits in kind). In particular, this plan is open to management employees of category 8 and higher (including the Chairman and Chief Executive Officer);
- funding of the plan: contributions to the plan are equal to a percentage of the compensation of the relevant employees;
- contribution payments break down as follows: 2.25% employer contribution for tranches A, B and C; 1.25% employee contribution for tranches A, B and C; 4.50% employer contribution above tranche C; 2.50% employee contribution above tranche C;
- pension amount: the amount of the supplementary pension is not defined in advance. For each employee, it is calculated on the settlement date for all mandatory and optional pensions based on the reserves held by the insurance company and other parameters assessed on that date;
- optional individual payments: these may be made within the limits of the available tax and social security budget.

Employer contributions benefiting the Chairman and Chief Executive Officer totaled €78,674 for fiscal year 2017.

2.6 Brand license

Board of Directors' meetings of November 5, 2014 and February 24, 2016

Agreement signed between your Company and its subsidiary Veolia Eau-Compagnie Générale des Eaux (99.99% shareholding)

Person concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer – Managing Director of Veolia Eau-Compagnie Générale des Eaux.

Your group has launched a transformation plan to simplify, structure and integrate its organizational set-up by country. This integration is reflected in particular by the use of a single "Veolia" brand (and a single logo) for the whole group to ensure better convergence and readability of the customer offers and to ensure their cross-cutting nature.

To take account of this new organizational set-up and the roll-out of the single "Veolia" brand, your Board of Directors authorized the signature, with the "head" entities designated by country or geographic zone and with Veolia Eau-Compagnie Générale des Eaux in particular (it is their responsibility to break down these contracts locally), of a new usage license for the "Veolia" brands in accordance with the following key conditions:

- one-year term automatically renewable for one or several annual periods with retroactive effect as of January 1, 2014;
- royalty fee set at 0.3% of the revenue of each of the license holders (or sub-license holders).

The Board of Directors' Meeting of February 24, 2016, duly noted and authorized as necessary the tacit renewal of this agreement for the period January 1 to December 31, 2015, as well as the amendment of the term of this agreement from one year to indefinite with effect from January 1, 2016.

The Company recorded royalty fee income of €8,657,112 from Veolia Eau-Compagnie Générale des Eaux for fiscal year 2017.

The Statutory Auditors

Paris-La Défense, March 13, 2018

French original signed by

KPMG Audit		ERNST & YOUNG et Autres	
A division of KPMG SA			
Jean-Paul Vellutini	Karine Dupré	Gilles Puissochet	Xavier Senent

8

ADDITIONAL INFORMATION

Information from the Annual Financial Report is clearly identified in the table of contents by the pictogram AFR

8.1 Main provisions pursuant to the law and the Articles of Association concerning Veolia Environnement AFR

8.1.1 CORPORATE NAME, REGISTERED OFFICE AND ADMINISTRATIVE HEADQUARTERS

The name of the Company has been Veolia Environnement since April 30, 2003. Its abbreviated corporate name is VE.

The Company's registered office is located at 21, rue La Boétie, 75008 Paris, France.

The Company's administrative headquarters is located at 30, rue Madeleine Vionnet, 93300 Aubervilliers. The telephone number is +33 (0)1 85 57 70 00.

8.1.2 LEGAL FORM AND APPLICABLE LAW

Veolia Environnement is a French *société anonyme à conseil d'administration* (public limited company with a Board of Directors) governed by French law and particularly the provisions of Book II of the French Commercial Code.

8.1.3 DATE OF INCORPORATION AND TERM

The Company was incorporated on November 24, 1995, for a term of 99 years beginning on the date of its registration in the Trade and Companies Register, *i.e.* for a term lasting until December 18, 2094.

8.1.4 TRADE AND COMPANIES REGISTRY

The Company is registered in the Paris Trade and Companies Register under number 403 210 032. The Company's APE Code is 7010 Z.

8.1.5 CORPORATE PURPOSE

Pursuant to Article 3 of the Company's Articles of Association, Veolia Environnement's corporate purpose, directly and indirectly, in France and in all other countries, involves:

- conducting all service activities, for private, professional and public customers, that are related to the environment, in particular, water, wastewater, energy, transportation and waste management;
- the acquisition, use and exploitation of all patents, licenses, trademarks and models that are directly or indirectly related to corporate activities;
- the acquisition of all equity investments, in the form of subscriptions, purchases, contributions, exchanges or by any other means, and the acquisition of shares, bonds and all other securities in existing or future enterprises, groupings or companies, and the option of disposing of such interests;
- in general, all commercial, industrial, financial or non-trading transactions, whether in personal or real property, that are directly or indirectly related to the aforementioned corporate purpose, and, in particular, the issue of all guarantees, first-demand guarantees, sureties and other security interests, in particular for the benefit of all groupings, enterprises or companies in which the Company holds an equity investment within the scope of its business activities, as well as the financing or refinancing of its business activities.

8.1.6 FISCAL YEAR

The Company's fiscal year starts on January 1 and ends on December 31 of each calendar year.

8.1.7 APPROPRIATION OF NET INCOME UNDER THE ARTICLES OF ASSOCIATION

Each share grants entitlement to an amount of the profit in proportion to the percentage of the capital that such share represents.

The distributable earnings are made up of the net income for the fiscal year, minus any accumulated losses and the various deductions provided for by law, plus any retained earnings.

The General Shareholders' Meeting may decide to distribute amounts drawn from the reserves of which it may freely dispose, by expressly stating the reserve items from which the amounts are drawn.

After approving the financial statements and recording the existence of amounts that are eligible for distribution (including the distributable earnings and, if any, the amounts drawn from reserves referred to above), the General Shareholders' Meeting may decide to distribute all or part of such amounts to the shareholders as dividends, to allocate them to reserve items, or to carry them forward.

The General Shareholders' Meeting has the option of granting the shareholders, for all or part of the dividends paid out or interim dividends, an option of payment in cash or payment in shares under the conditions laid down by the law. Furthermore, the General Shareholders' Meeting may decide, for all or part of the dividend, interim dividends, distributed reserves or premiums, or for any capital reduction, that such distribution or such capital reduction will be carried out in kind by delivery of Company assets.

The Board of Directors has the option of distributing interim dividends prior to the approval of the annual financial statements pursuant to the terms and conditions provided for by law.

8.1.8 GENERAL SHAREHOLDERS' MEETINGS

8.1.8.1 Notice of meetings

General Shareholders' Meetings are convened and deliberate under the terms and conditions provided for by law. Meetings are held at the Company's registered office or at any other location stated in the notice.

Shareholders' decisions are made at ordinary, extraordinary, special or combined meetings, depending on the nature of the decisions that shareholders are called upon to make.

8.1.8.2 Participation in and attendance at Meetings

Conditions

All shareholders, regardless of the number of shares they hold, are entitled to attend meetings in accordance with the laws and regulations in force, either by attending them in person, by being represented at them, by voting pursuant to the ballot-by-mail process, (also known as "by mail"), or by giving a proxy to the Chairman of the meeting.

In accordance with Article R. 225-85 of the French Commercial Code, the only shareholders permitted to attend meetings are those who can provide proof of their legal status through the recording of the securities in their name, or in the name of the intermediary registered as acting on their behalf, no later than the second business day prior to the meeting at midnight, Paris time (hereafter, D-2), either in the registered securities accounts, or in bearer securities accounts held by their authorized intermediary.

For registered shareholders, this accounting recognition in the registered securities accounts on D-2 is sufficient for them to be able to attend.

For holders of bearer shares, it is the responsibility of the authorized intermediaries that hold the bearer securities accounts to provide proof of their legal status as a shareholder on their clients' behalf to the clearing institution for the meeting appointed by Veolia Environnement, by providing evidence of a certificate of shareholding which they append to the ballot-by-mail voting form or proxy form or to the admission card request drawn up in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary.

Procedures

Shareholders wishing to attend the General Shareholders' Meeting in person must apply for an admission card:

- registered shareholders should apply directly to the clearing institution for the Meeting appointed by Veolia Environnement (hereinafter "the clearing institution");
- holders of bearer shares should apply to their financial intermediary.

If a holder of bearer shares wishing to attend the meeting in person has not received their admission card by D-2, they must

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submit a request to their financial intermediary to issue them with a certificate of shareholding enabling them to provide evidence of their position as a shareholder as of D-2 in order to be admitted.

A notice of the meeting, including a ballot-by-mail voting, proxy or admission card request form, is automatically sent to all registered shareholders. Holders of bearer shares must contact the financial intermediary with whom their shares are registered in order to obtain the ballot-by-mail voting, proxy or admission card request form.

Remote voting

Shareholders who are unable to attend the General Shareholders' Meeting in person may choose from one of the following options:

- give a written proxy to another shareholder, to their spouse or partner or any other natural or legal person of their choice;
- give a proxy to the Chairman of the meeting;
- vote by mail.
- vote electronically prior to the General Shareholders' Meeting.

Since the General Shareholders' Meeting of April 21, 2016, shareholders can access a dedicated voting website prior to meetings (Votaccess). This site allows each shareholder to access meeting documents, submit voting instructions electronically or request an admission card.

Remote and proxy votes can only be taken into account if the forms, duly completed and signed (and accompanied by the certificate of shareholding for bearer shares) are received by the clearing institution no later than the third business day prior to the meeting.

In accordance with the provisions of Article R. 225-79 of the French Commercial Code, notification of the appointment and dismissal of a proxy holder may also be made by electronic means.

Only notifications of appointment to or dismissal from positions duly signed, completed and received no later than two days before the date of the meeting may be taken into account.

In accordance with the provisions of Article R. 225-85 of the French Commercial Code, any shareholder who has already voted by mail, or sent a proxy or an admission card request is no longer able to choose another method of participation in the meeting, but may, nonetheless, sell all or some of their shares. However, if the sale takes place before D-2, the Company will cancel or amend accordingly, as appropriate, the remote vote cast, the proxy, the admission card or the certificate of shareholding. To this end, the authorized intermediary holding the account notifies the Company or its proxy holder of the sale and provides it with the necessary information. No sale or any other transaction made after D-2, regardless of the method used, is notified by the authorized intermediary holding the account or taken into consideration by the Company, notwithstanding any agreement to the contrary. It is noted that if a shareholder does not name a proxy holder in a proxy form, the Chairman of the General Shareholders' Meeting shall register a vote in favor of adopting draft resolutions submitted or approved by the Board of Directors, and shall register a vote against the adoption of all other draft resolutions. In order to issue any other vote, the shareholder must choose a proxy holder who agrees to vote as directed by the shareholder.

Under the terms of Article 22, paragraph 4 of the Company's Articles of Association, the Board of Directors may decide that shareholders may attend the General Shareholders' Meeting *via* videoconference or by telecommunication or electronic means, including *via* the Internet, under the conditions provided for by the applicable regulations at the time of use. In this case, the shareholders concerned will be deemed to be present for the purposes of calculating quorum and majority at the Meeting in question. This option has not yet been used by the Company as of the date of the filing of this Registration Document.

8.1.8.3 Main powers and quorum required for General Shareholders' Meetings

Ordinary General Meetings

The Ordinary General Meeting is called to make all decisions which do not make amendments to the Articles of Association. It is held at least once a year, within six months of the end of each fiscal year, in order to approve the accounts for that fiscal year. It may only proceed, when it is convened for the first time, if the shareholders present, represented or having voted remotely hold at least one-fifth of the shares with voting rights. When it is convened for the second time, no quorum is required. The resolutions of the Ordinary General Meeting are passed by a simple majority of the votes of the shareholders present, represented or having voted remotely.

Extraordinary General Meetings

The Extraordinary General Meeting is the only meeting authorized to make amendments to the provisions of the Articles of Association. It may not, however, increase the commitments of shareholders, with the exception of reverse stock splits, duly and properly carried out. It may only proceed, when it is convened for the first time, if the shareholders present, represented or having voted remotely hold at least one-quarter, and, when it is convened for the second time, one-fifth of the shares with voting rights. The decisions of the Extraordinary General Meeting are made by a majority of two-thirds of the votes of the shareholders present, represented or having voted remotely.

8.1.8.4 Shareholders' rights

Inclusion of points or draft resolutions on the agenda

Requests for the inclusion of points or draft resolutions on the agenda must reach 30, rue Madeleine Vionnet, 93300 Aubervilliers (Veolia Environnement, Office of the General Counsel) by registered letter with acknowledgment of receipt or by e-mail to AGveoliaenvironnement.ve@veolia.com, no later than twenty-five days prior to the date of the meeting, and may not be sent more than twenty days after publication of the notice of the meeting in the Bulletin des Annonces Légales et Obligatoires (BALO) (French Legal Gazette of Mandatory Legal Announcements).

The request for the inclusion of a point on the agenda must be justified. The request for the inclusion of draft resolutions must be accompanied by the text of the draft resolutions, which may include a brief explanatory statement. Such requests from shareholders must include a certificate providing proof of their legal status as shareholders, either in the registered securities accounts or in the bearer securities accounts held by a financial intermediary, as well as the percentage of share capital required by the regulations. Review of the point or draft resolution filed in line with the regulations is subject to the submission, by the authors of the request, of a new certificate evidencing the recording of the securities in the same accounts on D-2.

Written questions

In accordance with the provisions of Article R. 225-84 of the French Commercial Code, any shareholder wishing to ask written questions must address them to the Chairman of the Board of Directors, 30, rue Madeleine Vionnet, 93300 Aubervilliers (Veolia Environnement, Office of the General Counsel) by registered letter with acknowledgment of receipt, no later than four business days prior to the meeting. In order for these questions to be taken into consideration, it is imperative that they are accompanied by a share registration certificate. It is understood that the answers to written questions may be published directly on the Company's website (http://www.veolia.com/en/veolia-group/finance-area) in the "General Shareholders' Meetings" section.

Consultation of the documents made available

Documents and information relating to General Shareholders' Meetings are made available to shareholders in accordance with prevailing laws and regulations and, in particular, the information referred to in Article R. 225-73-1 of the French Commercial Code is published on the Company's website, http://www.veolia.com/en/veolia-group/finance-area, in the "General Shareholders' Meetings" section, no later than twenty-one days prior to the meeting.

8.1.9 DOUBLE VOTING RIGHTS

The voting rights attached to shares are proportional to the percentage of share capital that such shares represent, and each share carries the right to cast one vote.

However, in accordance with the provisions of Article L. 225-123, paragraph 3 of the French Commercial Code, a double voting right(1) is granted to all fully paid-up shares registered in the name of the same shareholder for at least two years, as well as to new registered shares which would be granted without consideration to a shareholder in the event of a share capital increase by capitalization of reserves, profits or additional paid-up capital, in respect of shares enjoying this right.

In accordance with the provisions of Article L. 225-124 of the French Commercial Code, double voting rights cease for all shares converted to bearer form or sold. Nonetheless, transfers as a result of succession, the liquidation of joint property between spouses or an *inter vivos* gift to a spouse or relative entitled to inherit, does not result in the loss of this right or interrupt the two-year vesting period. This also applies in the event of a transfer as a result of a merger or spin-off of a shareholder company.

The voting right attached to shares subject to beneficial ownership is exercised by the income beneficiary at Ordinary General Meetings and by the bare title owner at Extraordinary General Meetings.

8.1.10 IDENTIFICATION OF SHAREHOLDERS

When shares are fully paid up, they may be held in registered or bearer form, at the discretion of the shareholder, subject to provisions of the laws and regulations in force and the Company's Articles of Association. Until the shares are fully paid up, they must be held in registered form.

Company shares are registered in an account under the conditions and in accordance with the terms provided for by the laws and regulations in force. However, where the owner of the shares does not reside in France or French Overseas Territories, within the meaning of Article 102 of the French Civil Code, any intermediary may be registered on behalf of such owner, in accordance with the provisions of Article L. 228-1 of the French Commercial Code.

Furthermore, the Company's Articles of Association provide that the Company may seek to identify all holders of securities that grant an immediate or deferred right to vote at its meetings, in accordance with the procedures set forth in Articles L. 228-2 *et seq.* of the French Commercial Code. Pursuant to these provisions, the Company reviews its share ownership four times per year on average.

Failure by the holders of securities or their intermediaries to comply with the data disclosure obligations set forth in Articles L. 228-2 *et seq.* of the French Commercial Code results, pursuant to the conditions provided for by law, in the temporary loss of voting rights and, under certain circumstances, the suspension of the right to the dividend payments attached to the shares.

(1) The Veolia Environnement Combined General Meeting of April 22, 2015 rejected resolution A (not approved by the Board of Directors) which sought to exclude the automatic acquisition of double voting rights introduced by the Florange law for all shares held in registered form for at least two years.

8.1.11 CROSSING OF SHAREHOLDING THRESHOLDS

In addition to the thresholds provided by the law and the regulations in force, the Company's Articles of Association provide that all individuals or legal entities, acting alone or in concert with others, that enter into possession of or that no longer hold, either directly or indirectly, a fraction of the share capital, voting rights or securities granting future access to 1% or more of the Company's share capital, or any multiple thereof, must inform the Company, by registered letter with acknowledgment of receipt within a period of fifteen days from crossing this threshold, of his/her/its identity and any parties acting in concert with him/her/it, together with the total number of shares, voting rights, or securities granting future access to the share capital owned alone, either directly or indirectly, or in concert.

Failure to comply with the above provisions will be penalized by the loss of voting rights for the shares that exceed the threshold that should have been declared, for all General Shareholders' Meetings that are held until the expiry of a two-year period following the date on which the aforementioned notification is brought into compliance, if the application of this penalty is requested by one or more shareholders who together hold at least 1% of the Company's shares.

8.1.12 AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND CHANGES TO THE SHARE CAPITAL AND RIGHTS ATTACHED TO SHARES

All amendments to the Articles of Association and changes to the share capital or the voting rights attached to the securities that make up the share capital must comply with applicable law, since the Articles of Association do not contain any specific provisions relating thereto.

8.2 Litigation

The most significant legal proceedings involving the Company or its subsidiaries are described hereinafter. In addition, tax audits and disputes are described in Chapter 4, Section 4.1, Note 11.3 to the consolidated financial statements.

The description of the most significant legal, administrative or arbitration proceedings set forth in Chapter 4, Section 4.1, Note 12 to the consolidated financial statements is incorporated by reference within this Chapter 8, Section 8.2. The main updates concerning these disputes, which are set forth in Note 12 and reflect significant changes that have occurred up to the registration date of this document, are also described in this Chapter 8, Section 8.2.

The Company is not aware of any other current or threatened legal, administrative or arbitration proceedings which, during the past twelve months, may have had or have had a material adverse effect on the financial condition or profitability of the Company and/or the Group.

Total consolidated reserves booked for all of the Group's disputes (see Chapter 4, Section 4.1, Note 10 of the consolidated financial statements), including reserves for tax and labor law disputes, group together a large number of disputes for amounts that are individually immaterial. These reserves include all probable losses relating to the various disputes that the Group encounters in conducting its business. The largest reserves booked for disputes (excluding tax and labor law litigation) in the financial statements for December 31, 2017 are approximately €19.5 million.

NORTH AMERICA

United States - Flint

See Chapter 4, Section 4.1, Note 12 to the consolidated financial statements.

United States – WASCO and Aqua Alliance

Several current and former indirect subsidiaries of Veolia Eau in the United States[1] are defendants in lawsuits in the United States, in which the plaintiffs seek recovery for personal injuries and other damages allegedly due to exposure to asbestos, silica and other

(1) *Subsidiaries of the Aqua Alliance group or of WASCO (formerly Water Applications & Systems Corporation and United States Filter Corporation), the parent company of the former U.S. Filter group, most of whose businesses were sold to various buyers in 2003 and 2004.*

potentially hazardous substances. With respect to the lawsuits against Veolia Eau's former subsidiaries, certain of Veolia Eau's current subsidiaries retain liability and in certain cases manage the defense of the lawsuits. In addition, in certain instances, the acquirers of the former subsidiaries benefit from indemnification obligations provided by Veolia Eau or Veolia Environnement in respect of these lawsuits. These lawsuits typically allege that the plaintiffs' injuries resulted from the use of products manufactured or sold by Veolia Eau's current or former subsidiaries or their predecessors. There are generally numerous other defendants, in addition to Veolia Eau's current or former subsidiaries, which are accused of having contributed to the injuries alleged. Reserves have been booked for the possible liability of current subsidiaries in these cases, based on the nexus between the injuries claimed and the products manufactured or sold by these subsidiaries or their predecessors, the extent of the injuries allegedly sustained by the plaintiffs, the involvement of other defendants and the settlement history in similar cases. These reserves are booked at the time such liability becomes probable and can be reasonably assessed, and do not include reserves for possible liability in lawsuits that have not been initiated.

As of the date of this Registration Document, a number of such claims have been resolved either through settlement or dismissal. To date, none of the claims has resulted in a finding of liability.

During the ten-year period ended December 31, 2017, the average annual costs that the Company has incurred with respect to these claims, including amounts paid to plaintiffs, legal fees and expenses, have been approximately U.S.$793,850, after reimbursements by insurance companies.

CENTRAL AND WESTERN EUROPE

Romania

See Chapter 4, Section 4.1, Note 12 to the consolidated financial statements.

Lithuania

See Chapter 4, Section 4.1, Note 12 to the consolidated financial statements.

National Commission

(i) UVE

On February 21, 2018, the administrative court rejected UVE's claim against the report from the National Commission.

(ii) Litesko

On February 28, 2018, the administrative court rejected Litesko's claim relating to the new heat price in Birzai.

Proceedings initiated before the International Center for the Settlement of Investment Disputes ("ICSID") and the Stockholm Chamber of Commerce ("SCC")

On February 19, 2018, Vilnius and VST submitted their statement of defense in the SCC Arbitration in which they presented counterclaims of circa €425 million. The Company and UVE will vigorously contest those counterclaims and seek their dismissal.

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ITALY

Siram/Polare

On April 3, 2012, the Italian energy services company, Siram, had its premises searched as part of a preliminary investigation of the research body, Polytechnic Laboratory of Research SCaRL ("Polare"), among others. Siram had in the past solicited research services from Polare, which gave rise to research tax credits.

Siram applied for a tax clearance procedure in respect of such research tax credits in 2012 and 2016.

Concomitantly, in August 2012, the Venice civil court issued against Siram an injunction of payment of €2.8 million to Polare for allegedly unpaid receivables and interim provisional enforcement. At the end of August 2012, Siram lodged an opposition to this injunction and counterclaimed for the repayment of a substantial portion of the approximately €20 million in advance payments made to Polare (payments for services that were not provided).

In July 2013, Polare was declared bankrupt by Venice civil court. This civil court (i) in its first ruling of January 15, 2016, upheld Siram's objection and revoked the injunction of payment and (ii) in its second ruling of November 28, 2017 admitted Siram as unsecured creditor against Polare for the sum of approximately €1,1 million. Polare does not have sufficient assets at its disposal to pay off creditors.

In addition, following an investigation opened in 2012 by the Milan public prosecutor, on June 4, 2015, the public prosecutor indicted Siram's former representatives for fraud, tax fraud (the fraudulent use of research tax credits) and false 2009 income tax declarations as well as Siram solely for fraud. On March 18, 2016, the judge of the preliminary hearing referred the natural persons and Siram before the Milan criminal court. The court referred the case to May 21, 2018.

OTHER SECTORS

Regional aids for road transport of passengers

See Chapter 4, Section 4.1, Note 12 to the consolidated financial statements.

Connex Railroad

On October 17, 2012, several insurance companies that had contributed to the compensation fund for victims of the September 2008 rail accident in Chatsworth, California, launched proceedings before the courts of Los Angeles County, California, against Connex Railroad LLC ("Connex") and Veolia Transportation, Inc., representing the rights of Connex North America, Inc. ("Transdev North America"), seeking repayment of an amount of $132.5 million.

The Company considers this claim unfounded, and the defendant subsidiaries are seeking its dismissal.

On January 23, 2015 and June 23, 2015, the largest contributors to the victim compensation fund, which are also the most important claimants in the proceedings, have withdrawn from their action against Connex and Transdev North America so that the repayment amount of $132.5 million claimed in 2012 has been reduced to approximately $22 million.

On September 18, 2015, the Superior Court of California rejected the insurance companies' lawsuit for lack of evidence, which was upheld by a ruling on May 3, 2016 and served on May 24, 2016. On July 20, 2016, the insurers lodged an appeal against this decision. The ruling is expected at the end of 2018. The Company is not a party to this proceeding.

8.3 Change in control and major contracts AFR

In many countries, including France, local authorities can terminate contracts entered into with Group companies (see Chapter 5, Section 5.2.2.6 above). The takeover of Veolia Environnement could also affect the validity of contracts entered into by Group companies that include a change in control clause.

Further to the completion of the redistribution transaction on July 25, 2014, Veolia Environnement granted EDF a call option covering its Dalkia International, renamed Veolia Énergie International, shares exercisable should an EDF competitor take control of this company.

Likewise, EDF granted Veolia Environnement a call option covering all of its Dalkia shares, exercisable should a Veolia Environnement competitor take control. These 5-year call options expire on July 25, 2019.

Finally, the stock option plans implemented by the Company which are currently in force (see Chapter 7, Section 7.4.3 above) provide that options become immediately and unconditionally exercisable in the event of a public offer for the Company's shares.

8.4 Main financial flows between Veolia Environnement and the main subsidiaries of the geographic structure Business Units

The main financial flows between Veolia Environnement and the main subsidiaries of the geographic structure Business Units are disclosed in the notes to the Veolia Environnement financial statements set forth in Chapter 4, Section 4.2 above.

Veolia Environnement primarily finances its Business Units through loans and current accounts (net position of €7.7 billion as of December 31, 2017) and through equity. As a result, it received €381.7 million in interest and €273.7 million in dividends in 2017. The Company has set up a cash pooling system in the main countries in which it operates and uses hedging, mainly at Group level, in accordance with defined management rules (see Chapter 4, Section 4.1, Note 8 to the consolidated financial statements above).

The main operating flows between Veolia Environnement and the Business Units comprise amounts rebilled by Veolia Environnement to the Business Units totaling €497.9 million, primarily in respect of the provision of services and brand royalties and temporary out-placement of personnel. In addition, in connection with contractual commitments relating to the financial management of repair and maintenance work at facilities made available by delegating authorities, the Company received indemnities of €78 million in full and final settlement from Water France Business Unit subsidiaries and paid €92.5 million to Water France Business Unit subsidiaries in 2017.

As part of its operating activities, Veolia Environnement has granted financial and operating guarantees totaling €2,147.9 million as of December 31, 2017.

The table below details certain balance sheet line items (non-current assets, debt, net cash), net cash flows from operating activities and dividends paid in 2017 and attributable to the Company as of December 31, 2017, broken down between Veolia Environnement and its Business Units.

Information as of December 31, 2017:

Impact on the consolidated financial statements *(In € million)*	France	Europe excluding France	Rest of the world	Global businesses	Other	Veolia Environnement	Consolidated total
Non-current assets	3,452.0	9,342.5	6,879.2	1,645.8	574.7	(257.8)	21,636.6
Non-Group debt(1)	157.0	341.5	533.7	71.8	48.0	12,921.4	14,073.5
Net cash per the balance sheet(2)	9.9	201.2	296.2	126.0	132.0	5,283.9	6,049.2
Net cash flows from operating activities	415.0	1,083.0	773.1	101.4	48.1	8.3	2,428.9
Dividends paid during the period and attributable to Veolia Environnement	141.4	0.0	7.3		125.1		

(1) Non-current borrowings + current borrowings +/- fair value remeasurement of cash instruments.
(2) Cash and cash equivalents less bank overdrafts and other cash position items.

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8.5 Documents available to the public

The Company's press releases, annual Registration Documents, including historical financial information relating to the Company filed with the AMF and any related updates, are available on the Company's website at www.veolia.com/leeds/en/regulated-information. Copies of these documents may also be obtained from the Company's administrative headquarters at 30, rue Madeleine Vionnet, 93300 Aubervilliers.

All information disclosed to the public by the Company during the preceding twelve months in France or other EU member states, pursuant to any securities regulations applicable to the Company, is available on the Company's website at the address indicated above, as well as on the AMF's website at www.amf-france.org.

All regulated information published by the Company, pursuant to Article 221-1 *et seq.* of the AMF's General Regulations, is available at www.veolia.com/leeds/en/regulated-information. Finally, the Company's Articles of Association, as well as the minutes of General Shareholders' Meetings, the Statutory Auditors' reports and all other corporate documents, may be consulted at the 30, rue Madeleine Vionnet, 93300 Aubervilliers.

8.6 Persons responsible for auditing the financial statements

8.6.1 STATUTORY AUDITORS

KPMG SA

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Versailles Regional Auditors' Association).

Represented by Mr. Jean-Paul Vellutini and Mrs. Karine Dupré.

2, avenue Gambetta, Tour Eqho, 92066 Paris la Défense Cedex.

Company first appointed by the Combined General Meeting of May 10, 2007 and reappointed by the Combined General Meeting of May 14, 2013 for a six-year term that will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2018.

Ernst & Young et autres

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Versailles Regional Auditors' Association).

Represented by Messrs. Xavier Senent and Gilles Puissochet.

1-2, place des Saisons, Paris- La Défense 1, 92400 Courbevoie.

Company first appointed on December 23, 1999 and reappointed by the Combined General Meeting of April 20, 2017 for a six-year term that will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2022.

8.6.2 DEPUTY STATUTORY AUDITORS(1)

KPMG Audit ID

2, avenue Gambetta, Tour Eqho, 92066 Paris la Défense Cedex.

Company first appointed by the Combined General Meeting of May 14, 2013 for a six-year term that will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2018.

(1) The renewal of the term of office of Auditex, appointed on May 12, 2015 and whose term of office expired at the end of the General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2016, was not presented to the General Shareholders' Meeting of April 20, 2017, in application of Article L. 823-1- I paragraph 2 of the French Commercial Code.

8.7 Persons assuming responsibility for the Registration Document and the annual financial report AFR

8.7.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

Mr. Antoine Frérot, Chairman and Chief Executive Officer of Veolia Environnement.

8.7.2 STATEMENT BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

I hereby certify that to the best of my knowledge and having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is true and fair and does not contain any omission likely to affect its import.

I hereby certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all consolidated companies, and that the management report contained in this document provides a fair review of the development and performance of the business, results and financial position of the Company and all consolidated companies, together with an accurate description of the principal risks and uncertainties they face.

I obtained an audit letter from the Statutory Auditors in which they indicated that they have verified the information regarding the financial position and financial statements contained herein, and have read the entire Registration Document.

Aubervilliers,

March 13, 2018

Chairman and Chief Executive Officer

Antoine Frérot

8.8 Cross-reference table

8.8.1 REGISTRATION DOCUMENT CROSS-REFERENCE TABLE

To facilitate the reading of this Registration Document, the following table cross-references the main headings as required by Annex I of Commission Regulation (EC) no. 809/2004 of April 29, 2004 with the corresponding pages.

Heading in Annex I of Commission Regulation (EC) no. 809/2004	Chapters/Sections of the Registration Document	Pages
1 – Persons responsible		
1.1 Persons responsible for the information	8.7	399
1.2 Statement by those responsible for the information	8.7	399
2 – Statutory Auditors		
2.1 Name and address of the issuer's auditors	8.6	398
2.2 Information on the resignation or removal of the auditors	N/A	
3 – Selected financial information		
3.1 Historical financial information	Key figures	4
3.2 Interim financial information	N/A	
4 - Risk factors	**5**	**245 to 270**
5 – Information about the issuer		
5.1 Company history and development	1.1	10
5.1.1 Legal and commercial name	8.1.1	390
5.1.2 Place of registration and registration number	8.1.4	390
5.1.3 Date of incorporation and company term	8.1.3	390
5.1.4 Registered office and legal form of the issuer, legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office	8.1.1 and 8.1.2	390
5.1.5 Important events in the developments of the issuer's business	3.1	66
5.2 Investments		
5.2.1 Principal investments completed	3.3.2 and 4.1.6 Note 3.2	81 and 109
5.2.2 Principal investments in progress	3.3	80
5.2.3 Principal planned future investments	3.3	80
6 – Business overview		
6.1 Principal activities	1.3 and 1.5	19 and 30
6.2 Principal markets	1.2.1	12
6.3 Exceptional events	N/A	
6.4 Dependence on patents, licenses, contracts and manufacturing processes	1.5.3	42
6.5 Basis for any statements made by the issuer regarding its competitive position	1.3.4	26
7 – Organizational structure		
7.1 Brief description of the Group	1.5.1 and 8.4	30 and 397
7.2 List of issuer's significant subsidiaries	4.1.6 Note 15 and 4.2.5 Note 7.11	191 and 234
8 – Property, plant and equipment		
8.1 Principal property, plant and equipment	1.5.3 and 4.1.6 Note 7.3	42 and 145
8.2 Environmental issues that may affect the issuer's use of property, plant and equipment	1.6	44

Heading in Annex I of Commission Regulation (EC) no. 809/2004	Chapters/Sections of the Registration Document	Pages
9 – Operating and financial review		
9.1 Financial condition	3.2 to 3.4 and 4.1	69 to 84 and 94
9.2 Operating results	3.2.2 and 4.1.6 Note 5.2	69 and 117
10 – Capital resources		
10.1 Information on the issuer's capital	4.1 and 4.1.6 Note 9	94 and 174
10.2 Sources and amounts of cash flows	4.1 and 4.1.6 Note 8.1 to 8.1.3	94 and 147 to 154
10.3 Borrowing requirements and funding structure	2.1.7, 4.1.6 Note 8.1.1 and 5.2.1.3	61, 147 and 255
10.4 Restrictions on the use of capital resources	4.1.6 Note 8.1.3 and 5.2.2.3	154 and 261
10.5 Anticipated sources of funds	3.3 and 4.1.6 Note 8	80 and 147
11 – Research and development, patents and licenses	**1.4 and 1.5.3.1**	**28 and 42**
12 – Information on trends		
12.1 Significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last fiscal year	3.7 and 3.11	87 and 92
12.2 Known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects	1.2, 3.7, 3.9 and 4.1.6 Note 14	11, 87 and 190
13 – Income forecasts or estimates	N/A	
14 – Administrative, management and supervisory bodies and senior management		
14.1 Information concerning members of the Board of Directors and Executive Management	7.1 and 7.3	330 and 360
14.2 Conflicts of interest	7.1.3	345
15 – Remuneration and benefits		
15.1 Remuneration and benefits in kind	7.4.1 and 7.4.4	362 and 377
15.2 Retirement or other similar benefits	7.4.2 and 7.4.5	371 and 382
16 – Board practices		
16.1 Terms of office of members of the Board of Directors	7.1.1 and 7.1.2	330 and 345
16.2 Service agreements involving members of the Board of Directors	4.1 Note 13 and 7.1.3	189 and 345
16.3 Information on the Audit and Compensation Committees	7.2.2.1 and 7.2.2.3	355 and 358
16.4 Statement regarding corporate governance	7.2.1.1	346
17 – Employees		
17.1 Number of employees	Key figures and 6.4.1	4 and 307
17.2 Shareholdings and stock options	7.4.3	373
17.3 Arrangements providing for employee involvement in the share capital	6.4.3.4	316
18 – Major shareholders		
18.1 Identification of major shareholders	2.2	62
18.2 Existence of different voting rights	2.2.1, 2.2.2 and 8.1.9	62, 63 and 393
18.3 Control of the issuer	2.2	62
18.4 Arrangements which could lead to a change in control of the issuer	8.3	396
19 – Related-party transactions	**4.1.6 Note 13 and 7.6**	**189 and 385**

Heading in Annex I of Commission Regulation (EC) no. 809/2004	Chapters/Sections of the Registration Document	Pages
20 – Financial information concerning the assets and liabilities, financial position and income of the issuer		
20.1 Historical financial information	Key figures, 4.1 and 4.2	4, 94 and 201
20.2 Pro forma financial information	N/A	
20.3 Financial statements	4.1 and 4.2	94 and 201
20.4 Audit of historical annual financial information	4.1 and 4.2	94 and 201
20.5 Date of most recent financial information	4	93
20.6 Interim and other financial information	N/A	
20.7 Dividend policy	2.3 and 8.1.7	64 and 391
20.8 Legal and arbitration proceedings	4.1.6 Note 12 and 8.2	185 and 394
20.9 Significant change in the financial or trading position	1.2.1 and 4.1.6 Notes 3.2	12 and 109
21 – Additional information		
21.1 Share capital		
21.1.1 Amount of subscribed share capital and authorized share capital not issued	2.1.1 and 2.1.4	54 and 58
21.1.2 Shares not representing capital	2.1.5	60
21.1.3 Shares in the issuer held by the issuer itself	2.1.3	55
21.1.4 Convertible securities, exchangeable securities or securities with subscription warrants	2.1.5, 2.1.7, 4.1.6 Note 8.1 and 7.4.3	60, 61, 147 and 373
21.1.5 Acquisition rights and obligations in respect of subscribed share capital not fully paid-up or any share capital increase	N/A	
21.1.6 Options over share capital of Group members	N/A	
21.1.7 Share capital history	2.1.6	60
21.2 Memorandum and Articles of Association		
21.2.1 Corporate purpose	8.1.5	390
21.2.2 Administrative, management or supervisory bodies	7.1 and 7.2	330 and 346
21.2.3 Rights, preferences and restrictions attaching to shares	8.1.7 and 8.1.9	391 and 393
21.2.4 Changes to shareholder rights	8.1.12	394
21.2.5 Conditions governing the manner in which General Shareholders' Meetings are called and conditions of admission	8.1.8	391
21.2.6 Provisions that could delay, defer or prevent a change in control of the issuer	N/A	
21.2.7 Disclosure of the crossing of ownership thresholds	8.1.11	394
21.2.8 Conditions governing changes in capital more stringent than required by law	N/A	
22 – Material contracts	**8.3**	**396**
23 – Third party information and statements by experts and declarations of any interest	**N/A**	
24 – Documents available to the public	**8.5**	**398**
25 – Information on investments	**1.5, 4.1.6 Note 15 and 4.2.5 Note 7.11**	**30, 191 and 234**

8.8.2 ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

To facilitate the reading of this Registration Document, the following table identifies the information comprising the annual financial report that must be published by listed companies pursuant to Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the General Regulations of the French Financial Markets Authority (Autorité des Marchés Financiers).

Information required	Chapters/Sections of the Registration Document	Pages
1 – Consolidated financial statements	4.1	94
2 – Company financial statements	4.2	201
3 – Management report including the corporate governance report	See Cross-reference table below	
4 – Statement by the person responsible for the annual financial report	8.7	399
5 – Statutory Auditors' reports on the consolidated financial statements and the Company financial statements	4.1 and 4.2	197 and 238
6 – Disclosure regarding the Statutory Auditors' fees	3.5	86

8.8.3 BOARD OF DIRECTORS' MANAGEMENT REPORT CROSS REFERENCE TABLE

This Registration Document includes all required disclosures in the Board of Directors' management report including the corporate governance report and particularly those set out in Articles L. 225-100 and *seq.* and L. 232-1 II of the French Commercial Code. These disclosures are identified in the following cross reference table.

	Chapters/Sections of the Registration Document	Pages
1 - Activity		
Position and activity of the Company and, as applicable, its subsidiaries and controlled companies during the previous fiscal year and of all the companies within the scope of consolidation	1.2, 1.5, 1.3 and 3.1	11, 30, 19 and 66
Results of the Company's activity, subsidiaries, and controlled companies	3.2 and 4.1	69 and 94
Analysis of trends in business, results and the financial position of the Company and, specifically, its debt position in terms of business volume	1.2, 1.3, 1.5 and 4.1	11, 19, 30 and 94
Analysis of non-financial key performance measures relating to the specific activities of the Company and particularly information concerning environmental or employee issues	3, 4.1 and 6	65, 94 and 271
Description of the main risks and uncertainties facing the Company as well as indications regarding the use of financial instruments, when this is relevant to changes in assets and liabilities, the financial position and the Company's profit and loss	5.2	253
Indication of the impact of climate change on financial risks and presentation of measures taken by the Company to reduce this impact by implementing a low-carbon strategy in all aspects of its activity	5.2.1.5 and 6.2.3.3	257 and 289
Price, credit, liquidity and cash flow risk, risk of fluctuations in share prices, risks arising in the event of interest rate fluctuations and lower exchange rates: information on the reasons for trading on the market in question	4.1.6 Note 8.3, 4.2.5 Note 7.3, 5.2.1.3 and 5.2.2.3	157, 228, 255 and 261
Principal characteristics of internal control and risk management procedures implemented by the Company for the preparation and processing of accounting and financial information	5.1.5	252
Branches	4.2.7	241
Research and development activities	1.4	28
Foreseeable developments in the position of the Company/Group and future outlook	1.2 and 3.9	11 and 87
Major events occurring between the closing date of the fiscal year and publication of the report and between the closing date of the fiscal year and the date of preparation of the consolidated financial statements	3.7 and 4.1.6 Note 14	87 and 190

	Chapters/Sections of the Registration Document	Pages
2 – Accounting and financial information		
Changes to the presentation of the annual financial statements or in the valuation methods adopted	3.10, 4.1.6 Note 1 and 4.2.5 Note 2	88, 104 and 211
Amount of expenses not deductible for tax purposes	4.2.7	241
Overall amount of sumptuary expenditure and the corresponding tax (Article 223 quarter of the French General Tax Code)	4.2.7	241
General expenses added-back to taxable income, by overall amount and expense category	4.2.7	241
Net income for the fiscal year and proposed appropriation of net income	4.2.3	207
Reminder of dividend distributions during the last three fiscal years	2.3	64
3 – Information on subsidiaries and equity investments		
Equity investments in companies whose registered office is in France, representing more than 1/20, 1/10, 1/5, 1/3, 1/2, or 2/3 of the share capital or voting rights of those companies	4.2	201
Controlling interests in companies whose registered office is in France	3.1.2, 4.1.6 Note 3.2 and 4.2.5 Note 7.11	66, 109 and 234
4 – Information on share capital, cross-shareholdings and treasury shares		
Name of controlled companies holding shares in the Company and the percentage of share capital held	2.2.1	62
Identity of individuals or corporate entities owning more than 1/20, 1/10, 3/20, 1/5, 1/4, 1/3, 1/2, 2/3, 18/20 or 19/20 of the share capital or voting rights at General Shareholders' Meetings and changes therein during the fiscal year	2.2	62
Information on share purchase transactions previously authorized by the General Shareholders' Meeting under a share repurchase program pursuant to Article L. 225-211 of the French Commercial Code	2.1.3 and 4.1.6 Note 9	55 and 174
5 – Employee share ownership on the last day of the fiscal year		
Percentage of the Company's share capital held by employees	6.4.3.4	316
Employee share ownership on the last day of the fiscal year	2.2 and 6.4.3.4	62 and 316
Disclosure of the percentage of share capital represented by shares held by employees of the Company and employees of related companies	6.4.3.4	316
Information on transactions by management and closely-related persons in the Company securities	7.5.2	384
Grant to and retention by corporate officers of free shares and/or stock options granted	7.4.3.1	373
6 – Stocks options and free share grants		
Stocks options and free share grants	7.4.3.1	373
7 – Environmental, social and societal information		
Environmental information		see cross-reference table below
Social information		see cross-reference table below
Societal information		see cross-reference table below
8 – Other information		
Anti-competitive practices	N/A	
Information on supplier and customer payment periods	4.2.7	241
Vigilance plans	6.1.4	275
Information on facilities classified as high risk: • risk prevention policy for technological accidents implemented by the Company • ability of the Company to cover its third-party liability for property and persons resulting from the operation of such facilities • means implemented by the Company to ensure the management of victim compensation in the event of a technological accident for which the Company is liable	5.2.2.5.1 and 5.3	262 and 266

	Chapters/Sections of the Registration Document	Pages
9 – Statutory Auditors		
Terms of office of Statutory Auditors	8.6	398
10 – Corporate governance report		
10.1 Governance		
• List of offices and positions held in all companies by each corporate officer during the fiscal year	7.1.1.3	332
• Composition and conditions of preparation and organization of Board of Directors' activities	7.1.1 and 7.2.1	330 and 346
• Balanced representation of men and women on the Board of Directors	7.1.1.1	330
• Chosen method of exercising Executive Management	7.3.1	360
• Limits on the powers of Executive Management	7.3.2	361
• Reference to a corporate governance Code	7.2.1.1	346
10.2 Executive compensation policy	**7.4**	**362**
• Draft resolution on the compensation policy	7.4.4.2	380
• Variable and exeptional components of compensation awarded in the past year to the Chairman and Chief Executive Officer, whose payment is subject to approval by Shareholders' meeting	7.4.4.1	377
10.3 Information on corporate office compensation		
• Total compensation and benefits of any kind paid by the Company, a controlled company or a controlling company	7.4.1 and 7.4.2	362 and 371
• Description of the fixed, variable and exceptional components; description of calculation criteria and grant conditions	7.4.1	362
• Reference to the resolutions voted in the case of an ex ante vote	7.4.1	362
10.4 Factors likely to have an impact in the event of a public offer		
• Share capital structure of the Company	2.1.1, 2.2.1 and 2.2.2	54, 62 and 63
• Restrictions pursuant to the Articles of Association on the exercise of voting rights and the transfer of shares or agreement clauses brought to the attention of the Company pursuant to Article L. 233-11 of the French Commerciale code	8.1.10	393
• Direct or indirect investments in the share capital of the Company of which it is aware pursuant to Articles L. 233-7 and L. 233-12 of the French Commerciale code	2.2.1 and 2.2.2	62 and 63
• List of holders of any securities conferring special controlling rights and description thereof	2.2.1 and 2.2.2	62 and 63
• Control mechanisms provided in any employee share ownership systems, when control rights are not exercised by this system	7.4.3	373
• Agreements between shareholders of which the Company is aware and which could lead to restrictions on the transfer of shares and the exercise of voting rights	N/A	
• Rules applicable to the appointment and replacement of members of the Board of Directors, as well as amendments to the Articles of Association of the Company	7.1.1 and 8.1.8.3	330 and 392
• Powers of the Board of Directors, in particular regarding share issues and buybacks	2.1.3 and 2.1.4	55 and 58
• Agreements entered into by the Company that are amended or terminated in the event of a change in control of the Company, unless disclosure of such agreements would be detrimental to the Company's interests, except where legally required	8.3	396
• Agreements providing for compensation for members of the Board of Directors or employees in the event of resignation or dismissal	7.4.2.1	371
10.5 Other information		
Agreements entered into between a corporate officer or shareholder holding over 10% of voting rights and a subsidiary (excluding everyday agreements)	4.1.6 Note 13	189
Summary table of current delegations of authority and powers granted to the Board of Directors by the General Shareholders' Meeting in respect of share capital increases and use of such delegations during the past fiscal year	2.1.4	58
Participation of shareholders at Shareholders' Meetings	8.1.8.2	391

	Chapters/Sections of the Registration Document	Pages
11 – Documents to be appended to the management report and/or to be communicated to shareholders		
Table of results for the last five years	4.2.7	241
Additional reports on transactions carried out by the Company relating to stock options and free share grants	N/A	
Statutory Auditors' report on the annual financial statements including information on corporate governance	4.2	238
Opinion of the independent third party tasked with verifying the human resources, environmental and social information included in the management report	6.6	324

8.8.4 CORPORATE SOCIAL RESPONSIBILITY, ENVIRONMENTAL AND SUSTAINABLE DEVELOPMENT CROSS-REFERENCE TABLE (ARTICLES L. 225-102-1 AND R. 225-105 OF THE FRENCH COMMERCIAL CODE)

This Registration Document includes all corporate social responsibility, environmental and sustainable development and circular economy disclosures required by Articles L. 225-102-1 and R. 225-105 of the French Commercial Code. These disclosures are identified in the following table.

	Chapters/Sections of the Registration Document	Pages
1 – Social information		
a) Employment: - the total workforce and the breakdown of employees by gender, age and geographic area - hires and redundancies - compensation and compensation trends	6.4.1	307
b) Organization of work time: - organization of working hours - absenteeism	6.4.2.2	312
c) Employee relations: - organization of dialogue with employees, particularly information-sharing procedures and consultation and negotiation with personnel - collective bargaining agreements	6.4.4.2	319
d) Health and safety: - health and safety conditions at work - agreements signed with trade unions and employee representatives in relation to health and safety at work - workplace accidents, including their frequency and severity, as well as occupational diseases	6.4.2.1	309
e) Training: - training policies implemented - total number of training hours	6.4.3.2	314
f) Equal treatment: - measures taken to promote gender equality - measures taken to promote the recruitment and integration of disabled people - anti-discrimination policy	6.4.4.1	317
g) Promoting and complying with the provisions of key International Labor Organization conventions on: - freedom of association and the right to collective bargaining - the elimination of discrimination in employment and occupation - the elimination of forced or compulsory labor - the effective abolition of child labor	6.4.4.3	321

	Chapters/Sections of the Registration Document	Pages
2 – Environmental information:		
a) General environmental policy: - organization of the Company to take account of environmental issues and, where applicable, assessment and certification procedures relating to such issues - measures to train and inform employees about environmental protection - resources dedicated to the prevention of environmental risks and pollution - contingency provisions and guarantees relating to environmental issues, provided disclosure of this information is not detrimental to the Company's interests in an ongoing dispute	6.2.1	276
b) Pollution: - measures to prevent, reduce or remediate air, water or soil pollution with a severe environmental impact	6.2.2.5, 6.2.2.6 and 6.2.2.7	283, 284 and 285
- measures to take account of noise pollution and any other form of pollution specific to a particular activity	6.2.2.8	285
c) Circular economy: i) Waste prevention and management: - measures to prevent, recycle and reuse waste and other forms of waste recovery and elimination	6.2.2.3	281
- actions in the fight against food waste	6.2.2.3	281
ii) Sustainable use of resources: - consumption and supply of water in accordance with local restrictions	6.2.2.2	279
- consumption of raw materials and measures taken to improve efficiency of use	6.2.2.3	281
- energy consumption, measures taken to improve energy efficiency and use of renewable energy	6.2.3.5	290
- use of soil	6.2.2.4	283
d) Climate change: - material installations emitting greenhouse gases as a result of the Company's activities, notably through the use of goods and services it produces - adaptation to the consequences of climate change	6.2.3	286
e) Protection of biodiversity: - measures taken to preserve or develop biodiversity	6.2.4	293
3 – Information on sustainable development corporate commitments:		
a) Territorial, economic and social impact of the Company's activity: - on regional development and employment - on neighboring and local populations	6.3.2	299
b) Relations with individuals or organizations that have an interest in the Company's activities, including organizations that help people back to work, teaching institutions, environmental protection associations, consumer groups and local residents: - conditions of dialogue with these individuals or organizations - partnership and corporate patronage initiatives	6.3.1, 6.3.2.5 and 6.3.2.6	295, 302 and 302
c) Sub-contracting and suppliers: - inclusion of social and environmental factors in the procurement policy - importance of sub-contracting and the inclusion of supplier and sub-contractor social and environmental responsibilities in relations with them	6.1 and 6.3.2.4	272 and 300
d) Fair practice: - measures taken to safeguard against corruption - consumer health and safety measures	6.3.4, 5.1 and 5.4, 6.3.3.2	306, 247 and 267 304
e) Other actions taken under this heading (3) to promote human rights.	6.1.3 and 6.1.4	274 and 275

2018 FINANCIAL REPORTING SCHEDULE

Thursday February 22
2017 Annual Results

Thursday April 19 (3 p.m.)
General Shareholders' Meeting

Thursday May 3
Key figures at March 31, 2018

Wednesday August 1
2018 First Half Results

Wednesday November 7
Key figures at September 30, 2018

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