UNIVERSAL REGISTRATION DOCUMENT 2019

Annual financial report

VEOLIA

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VEOLIA ENVIRONNEMENT

UNIVERSAL REGISTRATION DOCUMENT

Annual Financial Report

2019

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Universal Registration Document was filed with the *Autorité des Marchés Financiers* (AMF, the French Financial Markets Authority) on March 17, 2020, in accordance with Regulation (EU) 2017/1129, without prior approval in accordance with Article 9 of this Regulation.

The Universal Registration Document may be used when securities are offered to the public or admitted to trading on a regulated market, if supplemented by a securities note and, where applicable, a summary and all amendments made to the Universal Registration Document. The resulting documents are approved as a whole by the AMF in accordance with Regulation (EU) 2017/1129.

AWARENESS OF ENVIRONMENTAL ISSUES LEADS TO THE MOBILIZATION OF YOUTH AND CITIZENS-CONSUMERS. TO MEET THESE CHALLENGES, VEOLIA HAS CRUCIAL KNOW-HOW TO PROVIDE SOLUTIONS

Antoine Frérot
Chairman and Chief Executive Officer

MESSAGE FROM ANTOINE FRÉROT

Chairman and Chief Executive Officer

In Veolia, we are dedicated to doing things that really matter, that is, improving life, advancing human societies and preserving the planet. Essential things, such as providing vital services, protecting the environment and public health, fighting pollution and making alternative resources when raw materials are scarce. Few businesses have so many positive impacts on the world, its inhabitants and nature: it is at once an honor, a duty and a strength for our Group.

It is also one of the reasons for its vigorous growth year after year. This trend continued in 2019 with strong improvements in revenue and profitability together with growth that is now more international, more industry-focused and more profitable. This positive momentum has intensified over the years, enhancing our leadership. It is based on a selective sales policy, regular efficiency gains, and innovations which expand our current technological range to protect the environment.

Our innovations - invention of a carbon fiber recycling process, development of a new sea water desalination technology that is more reliable, compact and energy efficient, development of robots to dismantle nuclear installations and many more - are important, because they complement our Group's value chain and are powerful means of differentiation. They also say something essential about the Group: they say that our Company is creating some of the know-how that the twenty-first century so badly needs, that it is capable of launching new activities, which will drive additional growth in the future.

Launching and developing new activities is one of the main thrusts of our new strategic plan, *Impact 2023*, initiated in early 2020. It will open a new page in our Company's history, enabling it to strengthen its positions in the most active markets, deliver the full power of its expertise and creativity, and create even more value. In addition to extending very prosperous businesses into all our geographies, such as the treatment of hazardous industrial waste, the circular economy, and energy efficiency in buildings, this plan will provide an opportunity to develop more recent activities bound for success, such as urban agriculture, indoor air quality preservation and end-of-life industrial equipment management. With this plan, we will take a further step in our Group's development: by increasing the share of industrial companies in our contractual portfolio, but also by continuing to improve the geographical spread of our activities between Europe – Veolia's domestic market – and the rest of the world.

THE DEFINITION OF OUR COMPANY'S PURPOSE, CONSISTENT WITH ITS MISSION TO "RESOURCE THE WORLD" AND FURTHER ANCHORING ITS ACTIONS IN THE LONG-TERM

2019 was a pivotal year on many fronts: firstly, because it saw us successfully conclude the development plan launched in 2016, exceeding our objectives; then, with the preparation of our new strategic plan, *Impact 2023*, which will serve as our Group's compass during the next four years; finally, with the definition of our Company's purpose, consistent with its mission to *"Resource the world"* and further anchoring its actions in the long-term.

By expressing our Group's purpose, we redefined its place and role in society, in other words, why it is useful, for whom it is useful and why it is important for it to exist. It is because our business is useful that it is prosperous, not the other way round. It is its usefulness that makes it attractive to customers and which underpins the loyalty of its shareholders. It is its usefulness that fuels the commitment of its employees.

When our Company was founded, the planet had fewer than 1 billion people. Today, the global population exceeds 7 billion. The challenges of the past were to prevent cholera, supply towns with drinking water, collect wastewater, etc. Today, they concern the scarcity of water, energy, and raw materials, the treatment of toxic pollution, access to basic services, energy transition, climate change, etc. Few tasks are as essential as those helping to overcome these great challenges that affect humanity as a whole. For our part, we will rise to them and help our customers do so too. Ultimately, a useful company, a company that is "*the*" benchmark for its sector, should not stand down before the challenges of the twenty-first century, but naturally act to address them. In any case, that is Veolia's belief.

BUSINESSES

WATER

Veolia's expertise spans treatment of water to monitoring its quality at each stage in the cycle from extraction to discharge back into the natural environment. The Group innovates to protect resources and encourages recycling and reuse of water by cities and industry.

3,548 drinking
water production plants managed

98 million people supplied
with drinking water

2,835 wastewater
treatment plants managed

67 millions people
connected to wastewater systems

WASTE

Veolia is the specialist in waste management, whether for liquid or solid, non-hazardous or hazardous waste. The Group's areas of expertise cover the waste life cycle from collection to recycling, and on to its final recovery as materials or energy.

42 million
people provided with
collection services on behalf
of municipalities

50 million
metric tons of treated waste

519,046 business
clients

675 waste
processing facilities operated

ENERGY

As an expert in energy services, Veolia supports the economic growth of its municipal and industrial customers while helping reduce their ecological footprint. Whether in energy efficiency, efficient management of heating and cooling networks, or green energy production, the Group has a unique expertise for a more sustainable world.

41 million
MWh produced

45,097 thermal
installations managed

591 heating
and cooling networks managed

2,357 industrial
sites managed

Solutions for municipal and industrial clients

- Air quality management
- Waste collection
- Smart cities
- Energy services for buildings
- Auditing, consulting, engineering, design and build
- Customer relationship services
- Clean-up and treatment of nuclear equipment and low level waste
- Landfill and biogas recovery
- Industrial utilities and integrated facilities management
- Street cleaning
- Energy distribution and district network
- Microgrids
- Soil remediation
- Cooling system management
- Smart industries
- Energy production
- Industrial effluent treatment
- Desalination
- Drinking water distribution
- Drinking water production
- Decommissioning and dismantling
- Wastewater collection
- Biowaste treatment
- Waste sorting, recycling and recovery
- Total waste management
- Hazardous waste treatment and recycling
- Waste to energy
- Industrial process water
- Wastewater treatment and reuse
- Sludge management
- Waste transfer center
- Industrial cleaning and maintenance

KEY FIGURES

27,189

Revenue (in € million)

Breakdown of the Group's client base

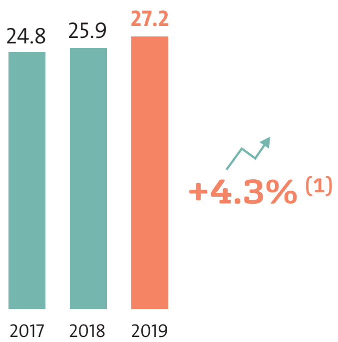
48%

Industrial

52%

Municipal

Revenue trends (in € billion)



Revenue by business

Water	41%
Waste	37%
Energy	22%

Revenue by segment

17% Global businesses	21% France
35% Europe, excluding France	27% Rest of the world

Some CSR indicators

15.1

million metric tons

of CO_2 equivalent of reduced emissions

8.8

million metric tons

of CO_2 equivalent of avoided emissions

80%

of employees received training

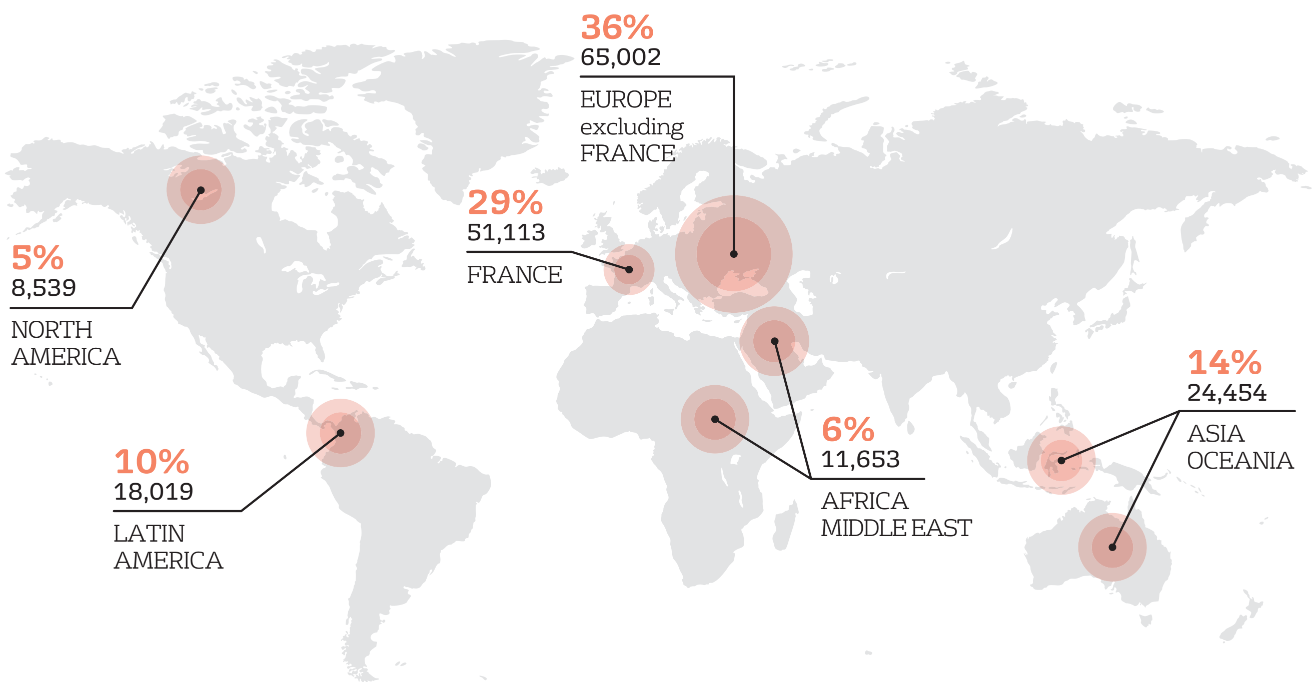
86.3%

of purchasing reinvested locally

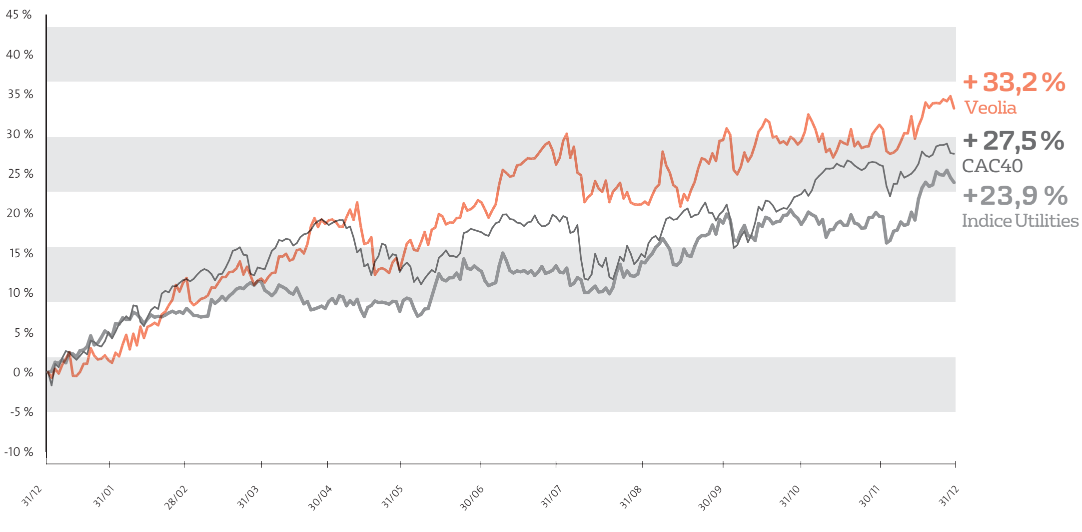
(1) At constant exchange rates.

Worldwide employee breakdown

178,780 employees



2019 Stock market performance



Dividend per share (in €)

1.00 €
2019 (1)

—

0,92 €
2018

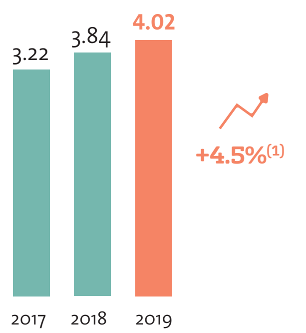
—

0,84 €
2017

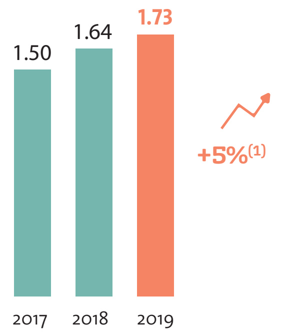
(1) Presented for approval to the General Shareholders' Meeting of April 22, 2020.

FINANCIAL INFORMATION [2]

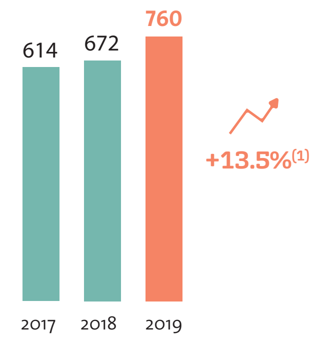
EBITDA (in Mds €) [3]



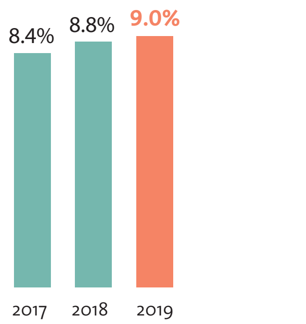
Current EBIT (in Mds €) [3]



Current net income attributable to owners of the Company (in M €) [3]



Post-tax ROCE



(1) At constant exchange rates.
(2) See Chapter 3, Section 3.10.3 below.
(3) Including IFRIC 12 and IFRS 16 Impacts.

Selected financial information AFR

Figures presented in accordance with IFRS

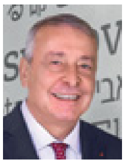
(in € million)	12/31/2018 [1]	12/31/2019 [1]
Revenue	25,951.1	27,188.7
EBITDA	3,842.9	4,021.8
Current EBIT	1,643.7	1,730.4
Current net income - Group share	672.0	759.8
Operating cash flow before changes in working capital	3,122.9	3,255.0
Operating income after share of net income (loss) of equity-accounted entities [2]	1,459.3	1,464.8
Net income - Group share	440.6	624.9
Dividends paid [3]	462.6	509.1
Dividend per share paid during the fiscal year [4]	0.92	1.00
Total assets	39,294.2	41,018.8
Net financial debt [5]	11,564	10,680
Industrial investments (including new operating financial assets) [6]	(2,268)	(2,364)
Net free cash flow [7]	536	868

(1) 2018 adjustments concern the application of IFRS 16 (see Chapter 4, Note 1.1.2 below) and the inclusion of the Lithuania accounts previously presented in discontinued operations.
(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 approval at the General Shareholders' Meeting of April 22, 2020.
(5) Net financial debt represents gross financial debt (non-current borrowings, current borrowings, bank overdrafts and other cash position items), including IFRS 16 lease debt, 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.
(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.

GOVERNANCE

Members of the Board of Directors as of December 31, 2019

61	45%[1]	72.7%[2]	6.92	96.67%	3
Average age of Directors	Female Directors	Independence rate	Lenght of service of Directors (years)	Average Attendance Rate	Non-French Directors



Antoine Frérot
Chairman and Chief Executive Officer

13 Directors

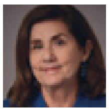
Independent Directors 8

Maryse Aulagnon
Senior Independent Director
*

Olivier Mareuse
Representing Caisse des dépôts et consignations

Jacques Aschenbroich
*

Isabelle Courville



Marion Guillou

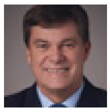
Clara Gaymard

Nathalie Rachou
*

Guillaume Texier

2 Director representing employees

Franck Le Roux



Pavel Pášä

2 Non-Independent Directors

Louis Schweitzer
Vice-Chairman
*

Paolo Scaroni

* Chairman

(1) Excluding Directors representing employees in accordance with Article L 225-27-1 of the French Commercial Code.

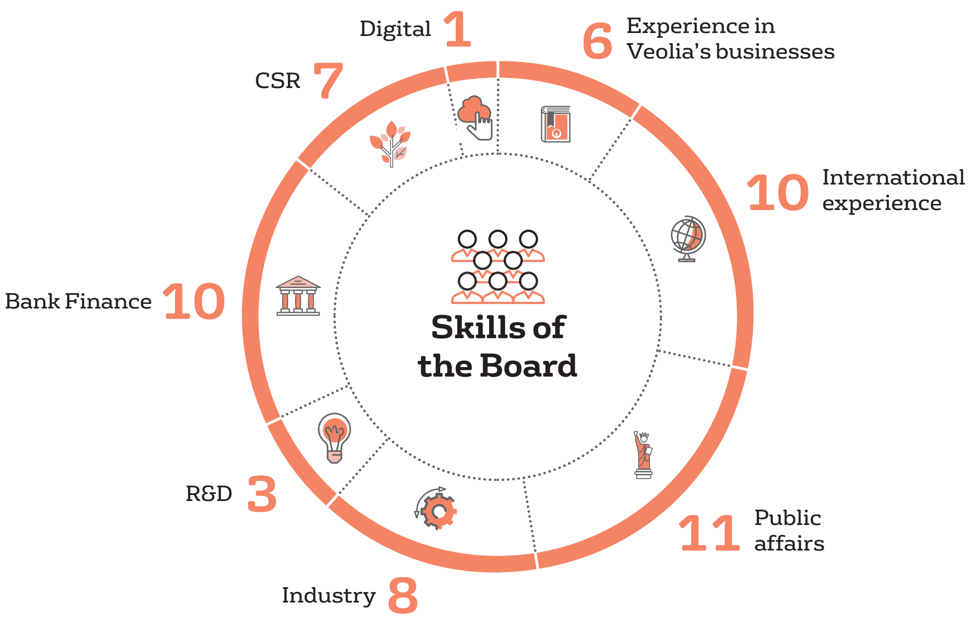
(2) Excluding Directors representing employees in accordance with the AFEP-MEDEF Code.

Board Committees

Accounts and Audit	Nominations	Compensation	Research, Innovation and Sustainable Development
5 members	**3** members	**4** members	**6** members
100% independent	**66.6%** independent	**66.6%** independent	**100%** independent
90% attendance rate	**100%** attendance rate	**100%** attendance rate	**94%** attendance rate

Skills matrix

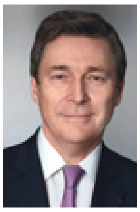
Number of directors having the expertise

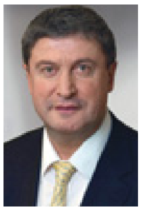


Members of the Executive Committee (1) (2)


Antoine Frérot, *Chairman and Chief Executive Officer*


Estelle Brachlianoff, *Chief Operating Officer*


Olivier Brousse, *Senior Executive Vice President, Strategy and Innovation*

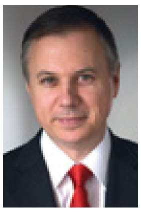

Régis Calmels, *Senior Executive Vice President, Asia*

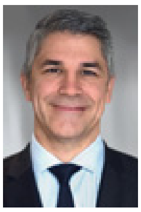

Philippe Guitard, *Senior Executive Vice President, Central and Eastern Europe*


Éric Haza, *Chief Legal Officer*


Patrick Labat, *Senior Executive Vice President, Northern Europe*


Jean-Marie Lambert, *Senior Executive Vice President, Human Resources*


Claude Laruelle, *Chief Financial Officer*


Jean-François Nogrette, *Senior Executive Vice President, Veolia Technologies and Contracting*


Helman le Pas de Sécheval, *General Counsel*

(1) The duties of members of the Executive Comitte are presented in Chapter 7, Section 7.3.3 below.

(2) Compositions as of date of release of this Universal Registration Document.

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. It 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).

1880 A treaty granted Compagnie Générale des Eaux a contract for the production and distribution of water in Venice. Contracts followed for Constantinople in 1882 and Porto in 1883.

1975 Compagnie Générale des Eaux created SARP Industries for hazardous waste recovery. SARP Industries rapidly became the first European center for processing liquid toxic waste.

1980 Compagnie Générale des Eaux took control of:

- Compagnie Générale d'Entreprises Automobiles (CGEA) (which would become CONNEX and ONYX, and later Veolia Transport and Veolia Propreté, respectively);
- Compagnie Générale de Chauffe and Esys-Montenay (which would later merge to form Dalkia);
- all of its subsidiaries involved in design, engineering and operating activities relating to drinking water and wastewater treatment, grouping them together in Omnium de Traitement et de Valorisation (OTV).

It also began to expand significantly into other countries.

1998 Compagnie Générale des Eaux became "Vivendi" and renamed its main water subsidiary "Compagnie Générale des Eaux".

1999 Vivendi established "Vivendi Environnement" to consolidate all of its environmental services activities: Water (Vivendi Water), Waste (ONYX), Energy services (Dalkia) and Transport (CONNEX).

2000 Vivendi became Vivendi Universal. Vivendi Environnement shares were admitted for trading on the Paris stock exchange on 20 July 2000.

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

2002 Vivendi Universal gradually reduced its stake. At the same time, Veolia Environnement carried out a major restructuring to refocus on its core environmental services activities.

2003 Vivendi Environnement became Veolia Environnement *(1)*.

2005 Veolia Environnement rolled out the Veolia brand, applying it across its divisions (Veolia Eau, Veolia Propreté, Veolia Energie and Veolia Transport).

2006 Vivendi Universal withdrew completely from Veolia Environnement's share capital.

2011 Veolia Environnement and Caisse des dépôts et consignations announced the creation of Veolia Transdev, after merging their respective subsidiaries, Veolia Transport and Transdev.

The Group presented its strategic plan and its mid-term outlook, aimed primarily at refocusing its activities and business portfolio.

2013 The Group embarked upon a significant organizational change. The Group's activities were organized by geographic zone rather than by business line and division. Veolia Transdev became Transdev Group.

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 the Group assumed control of the international business activities.

At the same time, the Group took over all the Latin-American activities of Proactiva, the joint subsidiary held with FCC.

The Veolia Environnement ADRs have not been listed on the New York Stock Exchange since December 23, 2014. The ADR securities are now traded on the US over-the-counter market.

2015 The Group unveiled its 2016-2018 strategic plan. 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 operating efficiency.

At the COP 21, Veolia reaffirmed its commitment to the fight against climate change. This commitment is founded on three key initiatives to curb greenhouse gas emissions: the circular economy, implementation of the polluter-payer principle and a reduction in methane emissions.

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. The Group acquired the assets of Chemours' Sulfur Products Division, strengthening its waste processing and recycling offering for the Oil & Gas sector in the United States.

It also acquired the US start-up, Kurion and now has a comprehensive offering in the nuclear clean-up sector. Veolia created its Nuclear Solutions business.

(1) In this Universal 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.

2019 Veolia Environnement sold its residual stake in Transdev Group to the Rethmann group.

At the Combined General Meeting, Veolia Group officially gave itself a Purpose

On December 30, Veolia completed the divestiture of its energy assets in the United States to Antin Infrastructures Partners for €1.1 billion.

2020 On February 28, the Group unveiled its 2020-2023 strategic program: Impact 2023.

1.1.2 PURPOSE

The Group's Purpose was drawn up in consultation with its various stakeholders and approved by the Board of Directors, and articulates why Veolia exists and what it does and how, for the benefit of all its stakeholders. This Purpose, which is the fruit of more than 160 years of history, is in line with Veolia's "Resourcing the World" mission statement.

The Purpose states the fundamental way in which Veolia will act. It is both the direction in which the Group is heading and a means to show the extent of its ambition and to give its actions a firmer long-term foundation. All Veolia's stakeholders are being informed of its Purpose – whether employees, customers, suppliers, shareholders, partners or the territories where it operates – so that they know what it means and can contribute to its practical application.

"Veolia's purpose is to contribute to human progress by firmly committing to the Sustainable Development Goals set by the UN to achieve a better and more sustainable future for all. It is with this aim in mind that Veolia sets itself the task of "Resourcing the world" through its environmental services business.

At Veolia, we are convinced that continuing human development is only possible if economic, social and environmental issues are addressed as an indivisible whole. This belief is embedded in the history of the Company, which as soon as it was created in 1853, showed the way by making access to drinking water an essential element of public health and quality of life.

In the conduct of our current businesses in Water, Waste and Energy, we provide our public and private customers worldwide with solutions that facilitate access to essential services and natural resources, and that efficiently conserve, use and recycle those natural resources. Improvement of our environmental footprint and that of our customers is central to our business and its economic model.

We are a company that is both local and global with a high level of technical know-how and labor, and which commits for long periods of time. We guarantee long-term results for our customers by leveraging our long experience, the quality of our services and our high capacity for innovation.

We are a working community where, in addition to an income and respect for their health and safety, everyone can find a sense of purpose in what they do, commitment to rewarding collective action and personal fulfillment. Through training, Veolia ensures that its employees, the vast majority of whom are manual workers and technicians, develop their skills. The Company relies on their responsibility and autonomy at all levels and in all countries, and promotes professional equality between men and women.

Veolia also promotes, particularly on staff representative bodies, social dialogue, which encourages employees to adopt our collective project as their own.

Wherever it operates, Veolia complies with applicable laws and regulations. It also applies widely-distributed ethical rules consistent with its values of responsibility, community spirit, respect, innovation and customer focus.

Veolia's prosperity is founded upon its usefulness to all its stakeholders in the various regions where it operates – whether customers, shareholders, employees, suppliers, current populations or future generations. Its performance must therefore be assessed in various dimensions corresponding to those different communities concerned. The Company pays the same degree of attention and requires the same high standards in each of these dimensions. In this way, Veolia prepares for the future, protecting the environment and responding to humanity's vital needs."

1.1.3 GENERAL INTRODUCTION

Veolia is a world leader in environmental services and offers a complete range of solutions for managing Water, Waste and Energy on five continents.

In 2019, the Group operated in 54 [(1)] countries, generated revenue of €27,189 million and employed 178,780 people.

In 2019, Veolia's organization is divided into 10 geographic zones (Water France, Waste Solutions 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 Euronext Paris CAC 40 index.

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

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.

General awareness of these challenges has mobilized stakeholders and provoked growing pressure from civil society on political decisions and company actions.

In this context, Veolia creates value, offering expert, innovative solutions enabling its industrial and municipal clients to meet these various challenges: reduce their environmental footprint, strengthen their appeal, efficiency and competitiveness, maintain or expand their right to operate, incorporate climate change issues.

Veolia took advantage of 2019, the last year of the 2016-2019 strategic plan, to develop a new strategic program for 2020-2023, known as Impact 2023.

1.2.1 2016-2019 STRATEGIC PLAN

Between 2016 and 2019, after a period of transformation, Veolia implemented a development plan aimed at achieving profitable, targeted and consistent growth by focusing on two key areas:

- targeted revenue growth in identified priority markets;
- further cost reductions, increased to €1 million for the period.

In 2019, the successful implementation of this plan led to further growth in revenue and EBITDA and cost savings of around €250 million.

Between 2016 and 2019, revenue growth (+3.6% on average each year at constant exchange rates) was primarily organic and generated, to a large extent, by new environmental businesses: circular economy, hazardous waste processing, industrial services. It was driven two-thirds by industrial clients and one-third by municipal clients, resulting in these markets being nearly equal by the end of 2019.

Over the 2016-2019 period, the strong growth in revenue and EBITDA, the significant increase current in net income (+9.7% annually over the 4 years at constant exchange rates) and stable debt and capital employed, enabled a marked improvement in the Group's profitability (post-tax ROCE of 9% [1] in 2019).

Boosted by this success, Veolia is now ideally placed to launch the next stage in its development and meet the major environmental challenges facing the planet.

1.2.2 2016-2019 EFFICIENCY PROGRAM

The 2016-2019 efficiency program was based on a similar method to the previous plan, namely developing improvement plans for each country and monitoring these centrally. It covered three key areas for improvement:

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

Total gross savings [2] of €1,050 million were realized under the efficiency program over the period 2016-2019. The "operations" and "purchasing" components accounted for a higher proportion of total savings under the 2016-2019 plan compared to the previous plan.

(1) Before IFRS 16.

(2) Before implementation costs.

1.2.3 BUSINESS MODEL

STRENGTHS

Global expertise serving all our customers	• Nearly **8,000** sites across the five continents • Regional player managing local services • **21** centers of excellence for the global roll-out of best practices
High valued-added know-how	• Integrated approach to environmental issues • Expertise in managing the most complex issues, such as toxic pollution
Committed men and women	• **178,780** employees • 13 campus and training centers worldwide, located in 8 countries • 1,600 contributions collected through the "Inspire" collective strategy review
Extensive market presence combined with financial strength	• Balanced portfolio between municipal **(52%)** and industrial **(48%)** businesses • Solid European base with one-third of business in the rest of the world and a strong presence in dynamic markets (notably Asia, North America, Latin America). • Financial strength: net debt/ EBITDA ratio of **2.66**
A climate strategy consistent with the Paris agreement	Strategy validated by the SBT *(Science Based Targets)* initiative
Adapted governance	• Diverse expertise within the Board of Directors • Committee of external experts, the **"Critical friends"**, consulted on the Groups strategic orientations • Multi-criteria compensation system (including CSR criteria) for the Executive Committee, with annual and long-term components

BUSINESS MODEL

CHANGING SOCIETY AND ENVIRONMENTAL CHALLENGE

Climate change and ecological transition

Demographic growth and urbanization

Technological progress / Digitalization

Stricter environmental regulations

Changing lifestyles

Pressure of public opinion

OUR MISSION

RESSOURCING THE WORLD

Improving access to resources
Preserving resources
Replenishing resources

OUR STRATEGIC AMBITION (1)

Be the benchmark company for ecological transformation

OUR BUSINESSES (2)

Water management	Waste management	Energy management

Deployed in our geographical zones by our employees, where our know-how enables us to invent, develop and roll-out a wide range of solutions

OUR CUSTOMERS

Municipal clients	Industrial clients

(1) See Chapter 1, Section 1.2.4 below.

(2) See Chapter 1, Section 1.3.1 below.

VALUE CREATED IN 2019

- **Revenue of €27,189 million up 4.3% (at constant exchange rates)**
- **EBITDA of €4,022 million [1]**
- **Post-tax [1] ROCE: 8.4%**
- **WACC [2]: 5.3%**

Shareholders	• Dividend of €1 per share • 5-year TSR: +62.52% • Current net income earnings per share as of December 31, 2019: €1.37
Employees	• 80% received training to maintain or improve theirs skills • 2.04% of share capital held by employees • 92% commitment rate for managers and 84% commitment rate for employees surveyed
Planet	• Revenue of €5.2 billion generated in the circular economy • 78.2 million metric tons of CO_2 equivalent of reduced emissions at our installations since 2015 • 33.2 million metric tons of CO_2 equivalent of avoided client emissions since 2015 • 60.7% of methane is captured • 71% of sites with significant biodiversity issues carried out a diagnosis and deployed a biodiversity action plan
Customers	• 70.6% recovery rate for treated waste • 75.4% efficiency rate for drinking water networks • 87% efficiency rate for heating networks • 98 million people supplied with drinking water and 67 million people connected to wastewater systems • 42 million people supplied with waste collection services
Regions	• 86.3% share of expenditure reinvested in the regions • 922,122 jobs supported in the world • €45,711 billion of wealth creation in the world (contribution to GDP) • 10.7 million people connected to water systems and 4.5 million people connected to wastewater systems in countries with poor access since 2000 • 71% of active contacts in the supplier contract base include the Group CSR clause

(1) *Including IFRS16.*

(2) *WACC or weighted average cost of capital.*

CONTRIBUTION TO SDGs

Veolia contributes to a greater or lesser extent to implementing each of the 17 SDGs defined by the UN.

The Group particularly plays a major role for 13 SDGs whose challenges are directly linked to Veolia's Purpose:

1.2.4 VEOLIA'S NEW STRATEGIC PROGRAM FOR THE PERIOD 2020-2023: IMPACT 2023

Our planet and society find themselves at a historic turning point. Awareness of the environmental and climate emergency and the resulting social and human consequences, notably for the most vulnerable, has never been so high. The need to work together constructively to protect the planet imposes an obligation to act.

It is in this context that the Impact 2023 program was developed. It was designed after broad consultation within the Group and numerous discussions with Veolia's main stakeholders. Veolia's purpose guided the drafting of this program, which identifies the Group's know-how and the businesses that will be the most useful and will have the greatest impact on the challenges Veolia has chosen to address. We therefore chose to name this program, Impact 2023.

1.2.4.1 One ambition: be the benchmark company for ecological transformation

Through its "*Resourcing the world*" mission statement and its Purpose, the Group underscores its commitment to making a positive impact for the planet, in line with the expectations and needs of all its stakeholders. Thanks to the success of the two previous strategic plans, which have placed the Company firmly on a path of profitable and sustainable growth, Veolia is ready to strengthen and extend its action.

With the Impact 2023 strategic program, Veolia has adopted the goal of being the **benchmark company for ecological transformation in order to**:

- enable industrial and local authority **clients** anticipate environmental risks, reduce the impact of their activities and adapt their service model in favor of sustainable growth;
- provide **citizens** with new solutions and means to act, enabling them to combine a strong commitment to protecting the environment with preserving their quality of life;
- allow **Group employees** to contribute to a common action that has meaning and that produces concrete and useful results that serve the environment;
- offer Veolia Environnement **shareholders** a sustainable growth model that is both financially profitable and socially responsible;
- act to protect and ensure the sustainability of the **planet**'s resources and fight against all forms of pollution and climate change.

1.2.4.2 One priority: seek the maximum impact for each business

The Impact 2023 program aims to make Veolia's impact on ecological transformation as strong and as positive as possible. This strategic direction leads to clear choices for the Group's various business. Accordingly:

Veolia is **accelerating** the development of the **most complex activities** where expertise is rare and unique and serves ecological transformation. They will therefore have a **major impact** on protecting the planet and the quality of life of populations:

- activities that prevent and repair toxic pollution: processing and recovery of hazardous waste, soil remediation and decontamination of industrial effluents;
- activities that enable better management of key resources and that combat climate change by reducing or avoiding carbon emissions: energy efficiency services for industry and buildings, plastic recycling and production of refused derived fuels (RDF), recovery of biowaste, industrial ecology offers such as circular economy loops and shared utilities at industrial sites;
- solutions to adapt to climate change, such as wastewater re-use and seawater desalination.

Technologies exist for these different activities and Veolia is an expert in these areas. Profitable demand is growing, thanks to the implementation of regulations in the various regions.

In addition, Veolia is **strengthening** and **reinventing** its **traditional businesses** to increase their impact and performance:

- enrich the water and wastewater service offer (e.g. innovative sludge management solutions, inclusive water access solutions), reinvent the way we operate and deploy these services with stakeholders (governance, customer relations);
- transform industrial & commercial solid waste collection through, for example, new digital services and a tiered pricing policy based on the quality of raw materials;
- modernize and diversify energy network activities: convert coal-fired heating networks to renewable energies that emit less CO_2, deploy new electricity network services, develop mini heating and cooling networks.

In order to generate the investment margins necessary to develop activities producing the greatest impact, Veolia **is slowing or divesting** those activities:

- that have reached maturity and where Veolia's expertise has difficulty creating additional value with regard to the business or wealth creation, but that offer a performance level that could interest other professions. This was the case for Veolia's energy assets in the United States, sold at the end of 2019;
- that have become commonplace and are highly competitive. Veolia's potential impact is therefore reduced. This is notably the case for the construction of water treatment plants where the civil engineering component exceeds that of treatment technologies, Veolia's specialty, municipal waste collection without processing or recovery or facility management services with best efforts rather than results-based contracts.

In total, over the four years of the Impact 2023 program, the Group plans to devote €5 billion in industrial and financial investment to the creation of new businesses ("accelerate" or "optimize" categories) and perform €3 billion in financial divestitures (in the "slow" or "divest" categories) to finance new investments. The Group aims to retain financial debt at below 3x EBITDA throughout the four years of the plan.

1.2.4.3 A program that prepares the future, by focusing on and accelerating innovation

The Impact 2023 program also seeks to imagine and develop solutions to anticipate and meet the key demands of tomorrow.

Six major current and future challenges were chosen, for their importance for the future of the planet and its inhabitants, but also for Veolia's potential to propose a unique offering and deliver a meaningful impact. These six major challenges that will lead to the launch of new services offerings are:

- **Health and new pollutants**: for example, assessing and improving indoor air quality, treating micro pollutants in water;
- **New material loops**: for example, recycling electric car batteries and electronic waste, capturing and using CO_2;
- **Food chain**: for example, bioconverting organic waste into biological fertilizer or animal proteins, ecological aquaculture, urban farming solutions;
- **Adapting to the consequences of climate change**: for example, crisis management (notably through our mobile units, preventing floods and droughts), water re-use, flood prevention, urban cooling systems;
- **New energy services**: for example, electric flexibility and demand management (Virtual Power Plants, energy storage, etc.), microgrids;
- **New digital offers**: for example, control centers for processing facilities and plants, waste management internet platform, artificial intelligence for waste sorting, social entrepreneur incubation platforms, etc.

Veolia's ambition is therefore to be the Company that prepares the path for the future and that imagines and develops the future solutions and standards of the business.

1.2.4.4 Towards carbon neutrality

On the international political agenda since 2015 with the signing of the Paris Agreement, carbon neutrality is now a universal goal. The aim is to limit the global temperature increase to "well below 2°C" compared to pre-industrial levels by achieving "a balance between anthropogenic emissions and removals by sinks of greenhouse gases" (GHG). This global carbon neutrality objective is rolled out at Group activity level in:

- its long-term growth outlook, including the medium-term strategy (2016-2019 then 2020-2023) (see Section 1.2 above);
- the decisions to transform its businesses (see Section 1.3 below);
- an economic outlook compatible with a carbon neutral world.

A substantial change in growth models is necessary to reduce greenhouse gas emissions. Veolia implements specific diagnostic tools for each business (production of heat for municipal heating networks and industrial companies, waste management, water management, etc.) to support its customers' strategy with a focus on resource-saving consumption: improving the energy efficiency of installations and services, converting coal-based thermal plants to an energy mix with fewer emissions by incorporating renewable and alternative energies, and recovering materials (e.g. plastic, solar panel recycling) and energy (e.g. recovery of biogas from waste and waste heat).

Veolia's strategy therefore incorporates the **reduction of GHG emissions** within the scope of directly-owned assets and operational responsibility through partnerships with its customers, as well as in its value chain according to its influence capacity (see Section 6.2.3 below).

However, the scenarios, based on Intended Nationally Determined Contributions, indicate that temperatures will rise between 3.7°C and 4.8°C by 2100. The impact of climate change can already be seen in certain regions. Veolia's solutions for local communities and industrial companies in terms of water management or resilience to natural disasters contribute to **regional adaptation** and resilience. In areas where water resources are increasingly scarce, Veolia develops alternative solutions including the reuse of waste water, sea water desalination and management of the large water cycle.

The Group mobilizes its Research and Innovation teams (see Section 1.4.1 below) to identify sustainable solutions and develops innovative contractual offers and models to support its partners in reducing emissions such as optimizing energy management of tertiary buildings, or adapting to climate change through flood prevention solutions (see Section 1.3.2, below).

Under the Impact 2023 strategic program, Veolia:

- undertakes to transform its coal-based activities in Europe by replacing coal with other less-polluting and most often renewable energy sources by 2030. An investment plan has been developed to this end;
- aims, through the development of its activities, to avoid emitting 15 million metric tons of CO_2 equivalent in 2023.

1.2.4.5 Implementation rigor

In the same way as the two previous plans, the Impact 2023 program will be implemented with extreme rigor and subject to ambitious financial control.

The efficiency and cost savings approach launched eight years ago will therefore continue under the Impact 2023 strategic program. It is essential to accompany business growth and to enable event greater growth in results.

For each of the coming four years, it will target efficiency gains of €250 million, representing €1 billion over four years.

1.2.4.6 A commitment to multi-faceted performance

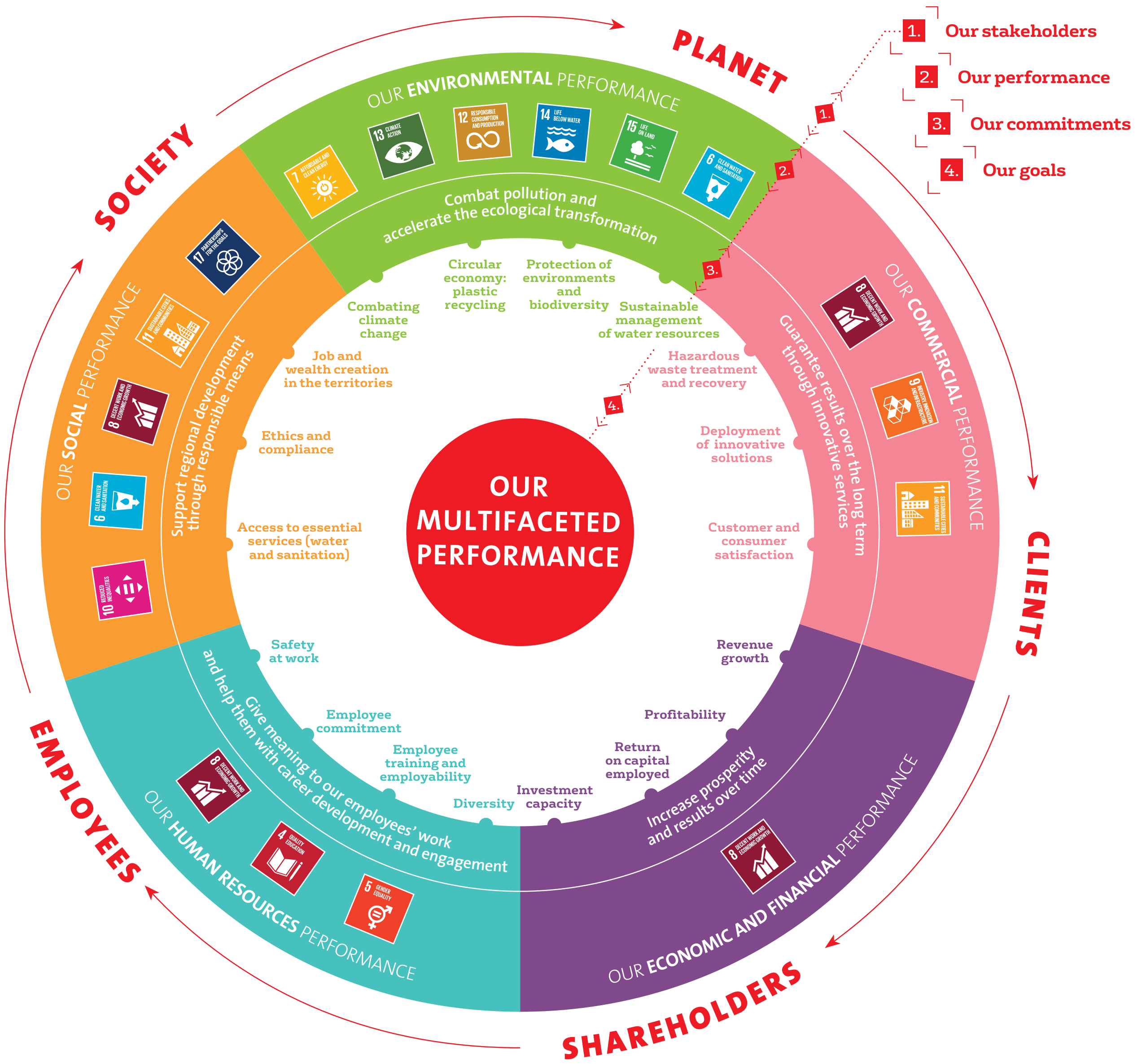
Veolia is equally attentive to and has the same high standards for all its various stakeholders and therefore for the different aspects of its performance. These are complementary and form a virtuous circle: economic and financial performance, commercial performance, human resources performance, corporate social performance and environmental performance.

Under the Impact 2023 program, Veolia therefore commits to 18 performance indicators targeting its five major stakeholder groups: shareholders, employees, customers, the planet and its current inhabitants and future generations, and finally, society in general.

Each of these indicators (see Section 1.1.2 above) will be measured and published regularly during the course of the program to monitor progress. These measures will be validated by an independent body and notably used to calculate the variable compensation of Veolia's senior executives.

VEOLIA'S PURPOSE

AN IMPROVEMENT APPROACH SHARED WITH AND FOR OUR STAKEHOLDERS



Sustainable Development Goals (SDGs)

Veolia plays a part in all 17 SDGs at different levels

Aspect	Objective	SDG [1]	Indicator - definition	2019 Baseline	2023 Target
Economic and financial performance	**Revenue growth**	8	• Annual growth in published revenue	€27.2 billion	Annual target
	Profitability of activities	8	• Current net income - Group share	€760 million	€1 billion
	Return on capital employed	8	• Post-tax ROCE	8.4% (with IFRS 16)	Annual target
	Investment capacity	8	• Free Cash Flow (before discretionary investment)	€1,230 million	Annual target
Human resources performance	**Employee commitment**	8	• Commitment rate of employees measured by an independent survey	84%	≥ 80%
	Workplace safety	8	• Injury frequency rate	8.1	5
	Employee training and employability	4	• Average number of training hours per employee per year	18h	23h
	Diversity	5	• Proportion of women appointed among the top 500 Group executives during the period 2020-2023	Not applicable	50% from 2020 to 2023
Environmental performance	**Combating climate change**	13	• **Reduction in GHG emissions**: progress with the investment plan to eliminate coal in Europe by 2030	Not applicable	30% of investment to be achieved [3]
			• **Avoided emissions:** annual contribution to avoided GHG emissions (assessed with regard to a reference scenario).	Not applicable	15 million metric tons of CO_2 eq.
	Circular economy: plastic recycling	12, 13	• Volume of transformed plastic, in metric tons of products leaving plastic transformation plants	350 thousand metric tons	610 thousand metric tons
	Protecting natural environments and biodiversity	14, 15	• Rate of progress with action plans aimed at improving the impact on the natural environment and biodiversity at sensitive sites	Not applicable	75%
	Sustainable management of water resources	6	• Efficiency of drinking water networks (Volume of drinking water consumed / Volume of drinking water produced) [4]	72.5%	>75%

(1) UN Sustainable Development Goal.
(2) Reference not available or being determined, the 2023 target will be defined during 2020.
(3) Total investment to eliminate coal in Europe by 2030 have been estimated at €1.2 billion.
(4) For networks serving over 50,000 inhabitants.

Aspect	Objective	SDG [1]	Indicator - definition	2019 Baseline	2023 Target
Customer satisfaction performance	Customer and consumer satisfaction	8	• Customer satisfaction rate calculated using the Net Promoter Score methodology	Not applicable	Target defined in 2020 [2]
	Development of innovative solutions	9	• Number of innovations included in at least ten contracts signed by the Group	Not applicable	Target defined in 2020 [2]
	Hazardous waste treatment and recovery	3, 9	• Consolidated revenue of the “Liquid and hazardous waste treatment and recovery” segment	€2.5 billion	> €4 billion
Corporate social performance	Job and wealth creation in the regions	11	• Socio-economic footprint of Veolia’s activities in the countries where the Group operates, with regard to direct and indirect jobs supported and wealth created	Not applicable	Annual assessment from 2020 of Veolia’s impact in 45 countries
	Ethics and compliance	4	• % of positive answers to the commitment survey question “Are Veolia’s values and ethics applied in my entity”	92% of Top 5000	To be determined for a larger audience in 2020
	Access to essential services (water and sanitation)	6	• Number of inhabitants benefiting from inclusive solutions to access water or sanitation services under Veolia contracts	4.17 million inhabitants	+12% at constant scope

(1) UN Sustainable Development Goal.
(2) Reference not available or being determined, the 2023 target will be defined during 2020.
(3) Total investment to eliminate coal in Europe by 2030 have been estimated at €1.2 billion.
(4) For networks serving over 50,000 inhabitants.

1.2.5 IMPACT 2023 IN A NUTSHELL

Impact 2023, Veolia’s strategic program for the period 2020-2023 can be summarized as follows:

- **a particular context:** the environmental priority has never been higher;
- **a high ambition:** to be the benchmark company and leading global contributor for ecological transformation;
- **a priority:** maximizing the Group's positive impact for each of its business lines, be it environmental, societal or financial;
- **a consequence**: clear priorities and choices among Veolia's businesses, with a strong acceleration of the activities with the highest positive impact on the planet and a portfolio rotation of around 20%;
- **a plan preparing the future:** increased human and financial resources to reinvent and strengthen the historical businesses and create new solutions to address the global environmental challenges of today and tomorrow;
- **a highly rigorous execution:** a 4-year €1 billion cost savings plan and target net financial debt below 3 x EBITDA over the duration of the plan;
- **a plan providing the proof of commitments**, with a set of performance indicators to track our impact on all stakeholders and provide a basis for the compensation of Group executive managers.

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

Business line	2019	Group revenue
WATER	98 million people supplied with drinking water 67 million people connected to wastewater systems 3,548 drinking water production plants managed 2,835 wastewater treatment plants managed	€11,421.1 million 41%
WASTE	42 million people provided with collection services on behalf of public authorities 50 million metric tons of treated waste 675 waste processing facilities operated 519,046 business clients	€10,166.7 million 37%
ENERGY	41 million MWh produced 45,097 thermal installations managed 591 heating and cooling networks managed more than 2,357 industrial sites managed	€5,879.9 million 22%

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 customers implement integrated and sustained water resource management systems.

Sustainable management of water resources

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

The Group is committed 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 customers develop holistic, integrated policies for managing water resources that emphasize the need to preserve ecosystems and biodiversity. Around the world, Veolia is providing solutions such as desalinating seawater, recycling and reusing wastewater and developing piping systems that help to optimize how this precious resource is managed.

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

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

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.

Water treatment equipment, technologies and facilities

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 complete water treatment solutions, which may take the form of either packaged products or bespoke turnkey systems. VWT designs 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 sanitation services transform wastewater into a resource. Using its technologies, it helps municipalities to produce reusable water, fertilizers, nutrients and thermal and electrical energy from wastewater.

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 collections, as well as collecting waste from communal disposal points, commercial and non-hazardous industrial waste and green waste (keeping green spaces clean). It also collects hazardous waste from industrial and service sector customers, including biomedical waste from hospitals and laboratories and waste oil (e.g. from ships and gas stations). In addition, it 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 customers a range of collection systems that can be adapted to suit their specific economic and regional requirements. New technologies have been developed in France, such as vehicles powered by biofuel, hybrid vehicles and alternative methods of transporting waste (e.g. by river or rail).

Recovering materials from waste

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

Solid waste is then transferred to specialized centers. 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 liquid 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 or biological techniques at specialized facilities, or stabilized and buried in special landfill sites.

For waste from nuclear activities, Veolia cleans up its nuclear facilities and processes low and medium-level radioactive waste through the entity, Veolia Nuclear Solutions, which combines the activities of Asteralis, Veolia ES Alaron and Kurion.

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: local energy loops (heating and cooling networks, local supply loops), energy services for buildings, energy services for industrial companies (industrial utilities). 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 customer 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 urban heating and cooling networks, particularly in Central and Eastern Europe. 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 customer'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 customers:

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

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

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 clients adopting increasingly multi-site and/or multi-country approaches.

From an operational standpoint, there are necessary changes to the customer relationship: the service provider becomes the industrial client's sole point of contact and a dialogue develops to seek solutions which satisfy the interests of both parties. By outsourcing the management of technical and multi-services to a specialist, the customer can refocus on its core business and benefit from best practices for the services delegated. 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 clients, Veolia has established itself as the benchmark for multi-business integrated offerings in industrial markets.

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).

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

- 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 customers throughout Europe with applying the same standards, as demonstrated by contracts with Bristol Myers Squibb and Novartis.

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). Veolia also has a subsidiary that specializes in the 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.

Veolia also has a subsidiary specialized in the environmental and health performance of buildings (OFIS).

1.3.2 FACTORS THAT COULD INFLUENCE THE GROUP'S BUSINESS LINES

The Group's main business lines can be subject to risk factors. certain of which are set out in Chapter 5, Section 5.2, Risk 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 customers 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);
- operational resilience of sites due to climate conditions (flood risk or water stress).

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 equipment, 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 formula, 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 5.2.2.1, below).

Moreover, price variations in electricity and primary raw materials (particularly fuel, coal and natural gas) on the 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 5.2.2.3, below).

Energy and raw material prices fluctuate, often significantly. For example, in 2019, the average price of a barrel of North Sea Brent crude was US$64, i.e. below the 2018 average (-10%). Prices increased until mid-May 2019 and then fell sharply until the beginning of August when they returned to growth to finish the year at US$68, up +34% on the end of December 2018. The decrease in the average price of a barrel of Brent crude, in euro, is slightly lower at -5% for the year.

Gas prices fluctuate in line with the weather and the competitiveness of coal for the production of heat and electricity. Average gas prices for the main European interconnection points fell by some -40% in 2019 compared with 2018; prices fell steadily despite a slight upturn in November. The average price at the end of December 2019 is -46% lower than the end of December 2018.

Despite a slight drop in the average fuel price between 2018 and 2019, upward and downward fluctuations throughout the year had a slightly negative impact on fuel expenses in the Waste business of around -€2 million in 2019.

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, a further drop in commodity prices below current levels cannot be ruled out, as was the case in 2019 when prices slumped mid-year as a result of the Chinese-American trade war. As in recent years, energy prices are expected to remain volatile in 2020.

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, plastic ferrous scrap and non-ferrous metals). In 2019, annual averages for two representative price benchmarks (Copacel 1.05 for recycled paper and E40 for ferrous scrap) reported a significant drop of -27% for recycled paper and -17% for ferrous scrap, compared with 2018 averages. Waste revenue was therefore negatively impacted by -€64 million in 2019, mainly due to the sharp fall in the price of paper and 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, and the type (public vs. private), requirements (in terms of financing and performance) and size of customers.

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

1.3.3.1 Contractual relationships with municipalities

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

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

- **operate the service themselves** (direct or internal management by a state-owned enterprise) using their own resources or resources entrusted to a body that the municipality completely controls, similarly to the way it controls its own departments (or "in-house" under EU regulations);
- **engage the services of 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 customer base;
- **transfer or delegate**, to a private, part-public or public company, responsibility for operating all or part of the service, allocating the human, material and financial resources and, where applicable, designing, building and financing the facilities needed to operate the service.

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

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

Contracts generally fall into one of three categories:

- **public contracts:** the public entity charges the contractor with delivering supplies, work and/or services in exchange for payment by the former as the services are performed. These contracts may have a limited purpose (*e.g.* operating a heat production plant, a waste 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 for, in whole or in part, by the service user.

Although some established models still dominate, depending on the country and the operations carried out by the Group, contractual models may evolve to address new priorities faced by municipalities, providing them with innovative financing solutions and remuneration mechanisms based on the savings achieved and/or the performance of the service.

The term of these contracts varies with the task assigned: they are often medium or long-term contracts (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.

1.3.3.2 Partnerships with industrial and service sector companies

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

- **outsourcing a group of services** not included in its core business, such as site management (steam, compressed air, electricity, cooling towers, cooling unit, heating, ventilation, air-conditioning, etc.), the water cycle (drinking water, process water and effluents) and waste management. More broadly, the Group can manage the full range of production support services at industrial sites: building maintenance, lifting equipment, fire detection, mechanical and electrical maintenance, calibration, instrumentation, etc.;
- **exploring and implementing innovative** or hi-tech solutions to address complex problems: e.g. in the fields of remediation, hazardous waste recovery, greenhouse gas emission reductions through projects with a significant environmental component (biomass or solar facilities), purification of water used in the customer'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 are put in place covering the implementation of tenders and contracts. Each year, the Veolia Internal Audit Department's schedule includes a review of the contractual and financial challenges of the Group's most significant contracts.

1.3.4 MARKETS AND COMPETITION

1.3.4.1 Markets

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

These services are intended for:

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

Environmental services are a growing market, driven by:

- population growth and increasing urbanization (70% of the world population will live in cities by 2050) (1);
- still-significant requirements worldwide to access drinking water and sanitation systems (some 700 million people still do not have access to drinking water and over 2 billion have no access to sanitation 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 roles of recycling and the collaborative economy; and wanting greater transparency in service governance.

1.3.4.1.1 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 appeal, 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 water, energy and waste management services – as cheaply as possible, yet in a smart and innovative way – with solutions adopted to 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, appeal and sustainability. More efficient and transparent, they meet the new expectations of citizens wishing to participate more in the management of 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

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

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 Lille, in addition to a strong community involvement, Veolia has developed a personalized service tailored to each type of user, with an environmentally responsible pricing policy and a reduction in standing charges for domestic customers.

- **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, waste 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 customer needs are now turning towards:

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

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

In these countries, Veolia asserts its role as a catalyst for the appeal of cities and their economic and social development, in particular by reinforcing its differentiating 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 customer**, whether that is based on financial or environmental performance (resource or energy savings, improved performance of facilities, etc.), on the creation of new revenues (mutualization of facilities, resale of electricity to the grid for cogeneration, recovery of byproducts, etc.) or on risk reduction (partnerships with insurers). A proportion of Veolia's remuneration is linked to achieving the expected results. The contract can include operating utilities (e.g. energy performance or resources contracts) or simply consultancy and management services;
- **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:** customers 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. As in developed countries, municipalities are also keen to improve the resilience of their area and in doing so combat the risks posed by natural disasters.

In these countries, Veolia's offers seek to support the development of cities by:

- **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.**

1.3.4.1.2 Industrial market

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

Industrial firms are faced with challenges that are critical to their 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 (revised by Directive 2018/2002 of December 11, 2018), 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, customers demand sustainable initiatives.

Through these offers, Veolia helps industrial companies anticipate and deal with 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:

- **license 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 the yield of customer assets** (e.g. increasing equipment availability, maximizing the productivity of customer 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 customers 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 approach.

Veolia's main industrial markets are as follows:

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 customers in these industries are focused on the license to operate, maximizing customer asset availability and output, reducing costs and risk, resource and water efficiency, and regulatory compliance. Veolia offers solutions that respond to this industry's major 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, sulfuric acid, sulfuric gases produced during the refining process, etc.), financial engineering (e.g. takeover of assets).

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 reducing 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 recovery, etc.,
- **optimization of operational performance** thanks to a range of services for utility efficiency and waste recovery,
- soil **recovery** and remediation, site recovery,
- **financial engineering.**

Veolia offers customers its portfolio of technologies, operational experience and global network thanks to which it can deploy 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 demands of consumers and industry stakeholders in terms of environmental and social responsibility. It is a very fragmented industry (tens of millions of producers worldwide) with a presence in every country in the world.

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

- supplying **materials and manufactured goods produced from waste, wastewater and 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 (RDF), 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 for buildings and industrial sites.

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 China, Korea and Japan. Veolia is also working in partnership with industrial companies on the implementation of solutions to develop plastic recycling loops. For example, Veolia built a plastic recycling plant in Indonesia, in partnership with Danone, which will be commissioned in 2020.

Hazardous waste treatment and recovery

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 customers' 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 relation to 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 years and can be rapidly 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 develops new facilities in developing new facilities in developing countries (in Africa, the Middle East, Latin America and Asia) and consolidates its existing facilities (in Europe, the United States and China) by expanding 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 platforms, trains and ships, as well as the characterization of nuclear waste.

1.3.4.2 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:

1.3.4.2.1 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 different 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.

1.3.4.2.2 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, for example) 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 (WorleyParsons, KBR, 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 (Framatome, Onet, Bouygues, Vinci, Westinghouse, Amec, Nukem, Iberdrola, Ansaldo, Tractebel), and transportation, such as ships, trains and aircrafts (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 customers long-term reliability and performance, thanks to its combined engineering/construction and operational capabilities.

1.3.4.2.3 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;
- 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: broking 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.

1.3.4.2.4 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

Veolia works every day to develop technological, contractual, social and managerial innovations in order to offer its customers services with high added value. It provides innovative solutions for specific local issues and contexts, creating new services or improving their quality through increased efficiency, yield or reliability and lower impacts and costs.

Innovation is inherent to Veolia's innovative entrepreneurial DNA, allowing it to seize growth opportunities, confirm its development - as demonstrated by recent commercial wins - and fulfill its mission of resourcing the world.

The Group therefore fully leverages the inventive capacity of its teams and of its Research and Innovation network to meet the challenges facing the modern world, while providing its customers with long-term support.

In 2019, the total budget for Research and Innovation was approximately €55.6 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 2019 it reported to the Technical and Performance Department[(1)].

VERI works on behalf of all the Group's activities. To optimize the industrialization of innovations, the Research and Innovation organization has been aligned with the Group's three business lines - Water, Waste and Energy.

Research and Innovation relies on methodological rigor and the internationally-recognized scientific expertise and excellence of its teams, innovating in the following areas: water resource and management; improvement of water treatment processes; wastewater treatment and recovery; waste management, recycling and recovery; secondary raw materials; energy optimization of facilities; smart cities, infrastructures and services. In addition, VERI provides scientific and technical assistance to the Group's business units to support the resolution of specific problems.

Research and Innovation contributes to the development of the Group's business lines, improving the performance and productivity of the activities while preparing the future.

1.4.2 THREE PILLARS OF RESEARCH AND INNOVATION

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

A dedicated Research and Innovation structure: VERI

VERI's skills and expertise are internationally recognized. The research programs are conducted in a spirit of continuous innovation, in close cooperation with the Group's activities. These synergies and open-minded approach strengthen VERI's ability to respond to the current and future challenges facing Veolia.

VERI's teams are organized into **five specialized departments** to guide and conduct the research programs: **Biosystems & Biotechnologies, Environment & Health, Process Engineering, Digital Innovation, Technologies & Industrial Support.**

VERI also has access to high-performing technical resources to develop and experiment innovative solutions meeting the Group's needs:

- five research centers, including two test platforms for wastewater and drinking water and industrial and pure water, as well as a facility for sorting and characterizing secondary raw materials;
- numerous pilot equipments to validate the technologies and ensure their reliability. These pilots are located at VERI sites and within Veolia operating sites.

An Open Innovation approach

VIA by Veolia is the Group's Open Innovation program proposed by VERI. It identifies, assesses and supports the integration of innovative technical solutions in the Group's businesses. It comprises a range of services accessible to all Veolia entities.

(1) Renamed the Business Support and Performance Department with the implementation of the Impact 2023 program.

VIA by Veolia provides innovative answers to specific identified needs when an internal solution is not available. It is used to improve operating and environmental performance and develop new services or unique commercial offerings.

It enjoys a robust methodology supported by VERI's resources and expertise. The services proposed by the *VIA by Veolia* program include: sourcing innovative solutions, primarily in the start-up and innovative SME ecosystem; analyzing and selecting solutions based on technical and commercial criteria; solutions testing and technical qualification; assisting with the establishment of agreements and partnerships.

A global internal innovation network

This network seeks to develop relations and foster the exchange of information between all Veolia's innovation players, to better take into account R&I requirements from the field and accelerate the go-to-market of technical developments. The network supports and encourages local innovation initiatives by sharing best practices or specific tools. It contributes to increasing total innovation capability and fosters momentum for generating, sharing and applying innovations.

Bolstered by these complementary pillars, in 2019 Veolia's Research and Innovation activities involved over 200 researchers and technicians in the dedicated structure, as well as experts present in all Group entities. Veolia also called on more than 200 partners around the world, 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 2019

The achievements presented below, at the cutting-edge of technological advances, are excellent examples of Veolia's Research and Innovation's contribution to Group growth and customer service.

1.4.3.1 Water

Diagnosis of pollution sources in sanitation networks

VERI is working on the use of passive samplers for upstream diagnosis at wastewater treatment plants to identify the source of micro pollutants in the sanitation network. The aim is to identify the best possible support and material depending on the pollutant to be captured. Work has shown that silicon is the most effective material for capturing organic molecules, while the polyethylene collection device Octopus is the most efficient for capturing metals. The results of this work were published in the scientific journal TSM. *Techniques Sciences Méthodes*.

ENPC-Veolia conference "Accelerate city readiness for a changing climate"

Ecole des Ponts ParisTech engineering school and Veolia organized the 2019 conference day of the Chair "Hydrology for Resilient Cities". During this day session, introduced by Mr. Antoine Frérot and Ms. Sophie Mougard, Director of Ecole des Ponts ParisTech, achievements and best practices for improving the resilience of cities in the face of extreme wet weather events were discussed.

Phosphorus recovery from sewage sludge: decision support tool

The first prototype of this tool is currently under development, thanks to a multidisciplinary team composed of experts from VERI, the Technical and Performance Department [1] and Group companies: Veolia Deutschland GmbH, Oewa Wasser und Abwasser GmbH and Krüger AS. It is being tested at the Schönebeck wastewater treatment plant in Germany. Using digital simulation, phosphorus behavior within processes can be predicted and its recovery potential assessed. Veolia is looking to design the treatment plant of the future, more respectful of the receiving environment and promoting the recycling of nutrients, while optimizing costs and the environmental footprint.

Asset management of sanitation networks

In November 2019, Veolia's Technical and Performance Department [1] and R&I organized a conference day on the asset management of sanitation networks. It brought together nearly 150 employees from around the world. Participants from business units shared their experience in the use of existing digital solutions, the development of future solutions and the offerings proposed by Veolia for the sanitation networks. VERI presented a new software tool, RELIABLE SEWER, designed to assess the state of repair of sanitation networks, predict their deterioration, and determine the best inspection and rehabilitation strategy in terms of investment expenditure and service life. This new tool will be integrated into the asset management software tools already industrialized by Veolia's Technical and Performance Department [1].

(1) Renamed the Business Support and Performance Department with the implementation of the Impact 2023 program.

1.4.3.2 Waste

Presentation of SoilAdvisor® results at the conference "Food security and climate change: 4 per 1000 initiative - new tangible global challenges for the soil"

The results of the SoilAdvisor® application were presented by Veolia R&I at the international conference in June 2019, "Food security and climate change: 4 per 1000 initiative - new tangible global challenges for the soil".

By identifying and quantifying carbon sequestration in soil, SoilAdvisor® can validate or not the 4/1000 hypothesis that an annual growth rate of 0.4% or 4‰ in soil carbon stocks in the first 30-40 cm of soil would significantly reduce the CO_2 concentration in the atmosphere related to human activities.

The 4 per 1000 initiative is a voluntary plan, initiated by the French Ministry of Agriculture and Food, focusing on storing soil organic carbon to mitigate climate change, while simultaneously improving food security. The aim is to increase the amount of carbon stored in the soil each year by 4‰ of the current stock, through the implementation of economically viable and environmentally friendly agricultural practices. This would significantly reduce the concentration of CO_2 in the atmosphere related to human activities.

Life Cycle analysis: VERI and the association SCORELCA share their vision

VERI and the Life Cycle Analysis (LCA) research association SCORELCA presented the objectives and governance of this association to the various Veolia departments. Veolia R&I has been a founding member of this association since 2012. They shared the expert view of LCA and its challenges, particularly for companies. The association's program for 2019 includes studies directly related to the Group's current issues: avoided emissions, material loops and LCA, environmental impacts of mines and plastic recycling.

Sorting Center 4.0: four future sorting center scenarios for 2030

The R&I teams conducted a forward-looking study focusing on the organization and skill changes required by 2030 in household waste sorting centers to accompany this sector's restructuring, particularly in France.

This study is the result of a retro-prospective analysis of sorting center developments. A vision of potential futures for the household waste recycling sector was represented in four scenarios. These scenarios identify the challenges and actions to be deployed to anticipate, or even induce, the necessary changes in the organization of household waste sorting centers and the corresponding skills.

Insulating materials from agricultural byproducts and recycled textile waste

VERI is a partner of the "Sustainable Bio&Waste Resources for Construction" research project, supported by the Interreg France (Channel) England European program. Its objective is to design and produce innovative thermal insulants for buildings, made from agricultural byproducts and recycled textile waste. In particular, Veolia R&I has monitored the development of a thermal insulant prototype based on polyester from used duvets and pillows. Following this success, R&I is studying the use of waste with characteristics similar to the polyester tested in this project, such as mattress foams.

Waste recovery for agricultural use: collection and quantification methods for GHG emissions

The ValoAgro research project seeks to assess the agronomic value and environmental and health impacts of the different composts produced within the Group. The R&I researchers developed and assessed a method for collecting and quantifying greenhouse gas (GHG) emissions from a windrow on a composting platform. Assessments will continue during GHG measurement tests at two operational sites in France.

Launch of a project to calculate avoided greenhouse gas emissions

In 2019, Veolia initiated a consortium of stakeholders from the waste sector, experts and NGOs, as part of the EIT Climate-KIC. The objective is to identify the challenges and issues of calculating avoided greenhouse gas emissions in waste management and recycling activities, with the aim of making recommendations for a future methodology framework for calculating avoided emissions.

1.4.3.3 Energy

EPOS project: presentation of a prototype and sharing of initial results in Brussels

The first prototype of an industrial symbiosis tool and the results of a case study on an energy efficiency project developed by Veolia and its partners were presented to the European Commission. The aim of this project is to develop tools and methods to identify, assess and optimize synergies between industries within an industrial park or industrial area.

Monitoring the state of repair of heat distribution networks

A methodology for monitoring the state of repair of a heating network consisting of several pumps, exchangers and sensors has been developed. This work enables Veolia R&I to strengthen its knowledge and expertise in the monitoring, diagnosis and prognosis of complex industrial energy systems.

The future prospects for this work mainly concern:

- checking the effectiveness of existing instruments for monitoring the system equipment;

- the early and robust detection of equipment malfunctions and deviations (sensor faults, leaks, breakage, etc.);
- diagnosis, by associating the detection of a malfunction with a type of event previously characterized by a field operator.

1.4.3.4 Transversal activities

Inauguration of Lab@VERI, a new structure facilitating digital innovation

This new methods laboratory will help transform the Group's approaches to digital innovation. Lab@VERI brings together a team of researchers, facilitators, designers, prototypists and experts in agile development. Resources for co-working and rapid prototyping, methods and expertise are available in this space, enabling both the definition and testing of prototypes focusing on use. The space is also used to host events for sharing achievements and experience from the projects.

1.4.3.5 Open Innovation - *VIA by Veolia*

Since the launch of *VIA by Veolia* as a service in 2017, the teams have performed 118 sourcings of innovative technologies. These sourcings led to 23 qualifications, six of which are closed. To date, four business partnerships have been signed or are in the course of signature.

During 2019, the *VIA by Veolia* program was solicited by the Business Unit Waste Solutions (Recyclage et Valorisation des Déchets) in France to identify, test and qualify economically viable solutions capable of measuring, in all seasons, the fill rate of voluntary waste drop-off points and communicating this data to the entity to optimize waste collection. Solutions sourcing identified 45 new products that could meet Waste Solutions France specifications. Shortlisting, benchmarking and technical qualification studies were performed collaboratively to benefit from the expertise of R&I, Waste Solutions France, the Information Systems and Technologies Department and Birdz (a subsidiary of Nova Veolia). A total of 4 sensors were selected for laboratory and field testing. A solution selected on the basis of these studies is currently being deployed across the territory.

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

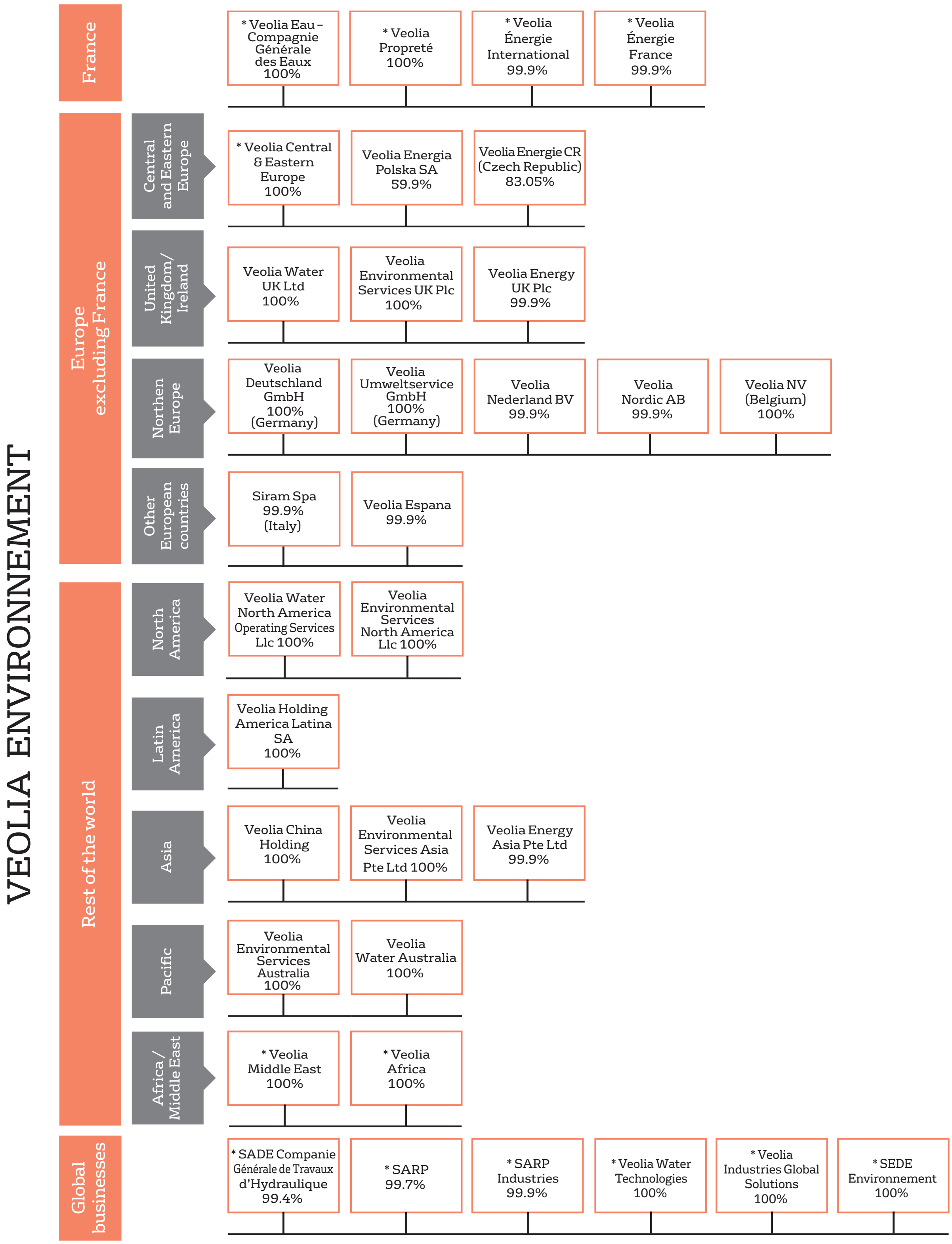
1.5.1 ORGANIZATIONAL CHART

The following organizational chart is a simplified chart of the main subsidiaries owned by Veolia Environnement, directly and/or indirectly, on December 31, 2019, 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 2019 consolidated financial statements is presented in Chapter 4, Section 4.1, Note 15 below.

The main changes in the consolidation scope and Group structure in 2019 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, 2019

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's 2019 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.

2019 revenue

(in € million)	Total
France	**5,611.5**
Water France	3,003.7
Waste Solutions (Recyclage et Valorisation des Déchets)	2,607.8
Europe excluding France	**9,501.1**
Central and Eastern Europe	3,296.4
United Kingdom and Ireland	2,297.7
Northern Europe	2,737.7
Iberia	469.1
Other Europe excluding France	700.2
Rest of the world	**7,303.5**
North America	2,168.0
Latin America	853.2
Asia	2,134.9
Pacific	1,086.9
Africa/Middle East	1,060.5
Global businesses	**4,733.8**
Veolia Water Solutions and Technologies	1,500.9
SADE CGTH	1,321.5
Hazardous waste	1,311.3
Energie France	128.9
Veolia Industries – Global Solutions	471.2
Other	**38.8**
TOTAL GROUP	27,188.7

Comments on revenue trends and results for the various segments may be found in Chapter 3, Section 3.2.2 below.

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 €5,611.5 million in 2019, or 20.6% of the Group's total business activities. EBITDA is €899.7 million (22.4% of Group EBITDA for 2019).

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

Water France

In France, Veolia 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 allows Water France 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;
- environment 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 13.8 million people.

The water sector continues to undergo 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".

Veolia Water France continues to implement its "Osons 20/20!" corporate project launched in 2017, with the goal of being the leader and definitive benchmark for the water cycle. Its local roots are reflected by the creation of 67 area bases across nine regions, placing responsibility and decision-making as close as possible to field level. 2019 Water France's corporate project aims to sustainably create value through an organizational structure adapted to market opportunities.

2019 Water France revenue amounted to €3,003.7 million and represents 11.0% of Group revenue in 2019.

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

Major contract wins during the year include:

- the Toulouse metropolitan area renewed its confidence in Veolia for the distribution of drinking water. This 12-year contract now encompasses 37 municipalities.
- the Alès agglomeration awarded Veolia a 12-year contract for the management of water production and wastewater services, increasing the initial scope to encompass 61 municipalities for water services and 44 municipalities for wastewater services, compared with 22 for water and 23 for wastewater previously.
- the Nîmes metropolitan agglomeration awarded Veolia an 8-year contract for its water and wastewater services. This new contract notably includes anaerobic digestion and remote reading.
- the Metz region water authority renewed its confidence in Veolia for the management of its drinking water for a period of 10 years.

The following table presents revenue generated by the main municipal contracts in France, to be renewed or renegotiated during the period from 2019 to 2022:

City	Estimated annual revenue *(in € million)*	Contract expiry date
Sedif (drinking water)	270	2022
Lyon metropolitan area (drinking water)	89	2022
Toulon (2 drinking water contracts)	27	2021

Waste Solutions

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

The circular economy roadmap and the law for energy transition and green growth establish ambitious goals for reducing the tonnage of waste taken to landfills (-50% between 2010 and 2050) and replacing it with recycling and the use of waste as a resource and 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 customers (public administrative area groupings (EPIC), metropolitan areas, 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 production and consumption methods using less non-renewable resources.

As a partner to many industrial companies and communities, the Waste Solutions Business Unit is seeking to make Veolia the producer of reference for secondary raw materials and low-carbon energy in France. The Business Unit offers a comprehensive range of innovative solutions for every stage of the waste cycle, from collection to recovery as either materials or energy.

(1) According to the BIPE 2019 report.

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;
- digital 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:

- sorting and recycling of household waste and non-hazardous industrial waste using innovative and high-performing installations producing secondary raw materials able to replace virgin materials;
- waste-to-energy recovery of household waste and non-hazardous industrial waste;
- 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 trades in secondary raw materials (paper/cardboard and plastics);
- transformation of organic matter (green waste and biodegradable waste) into compost to be applied to land;
- production of solid refuse derived fuel (RDF) from recycling rejects (non-recyclable non-hazardous solid waste); production of low carbon energy from RDF and waste that can be recovered as heat or electricity.

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

2019 revenue for this Business Unit amounted to €2,607.8 million and represents 9.6% of Group revenue in 2019.

Municipality or company and location thereof	Month of signature of contract	New contract, or extension or renewal	Contract term	Estimated cumulative revenue (*€ million*)	Services provided
Water France					
Toulouse Metropolitan area	January	Renewal	12	497	Public service delegation contract for water services
Metz region water authority	December 2018	Renewal	10	170	Public service concession for drinking water management services
Nimes Metropolitan Agglomeration	February	New	8	185	Public service concession for the distribution of drinking water and wastewater services
Beauvaisis Agglomeration	February	Renewal	10	21	Public service delegation contract for wastewater services
Greater Nancy metropolitan area	May	Renewal	6	41	Operation of a wastewater treatment and biogas recovery plant
Greater Paris Seine and Oise	May	Renewal	6	42	Public service delegation contract for drinking water production and distribution
Greater Reims Urban Community	September	New	9	15	Public service delegation contract for drinking water
Alès Agglomeration	November	Extension	12	102	Public service concession for drinking water and wastewater services
Le Havre Seine Urban Community	November	Renewal	8	34	Operation of a wastewater treatment plant
City of Dinard	November	New	15	22	Public service concession for wastewater services
City of Gaillac	December	Renewal	10	28	Public service concession for drinking water and wastewater services
Châlons-en-Champagne Agglomeration	December	Renewal	8.5	20	Public service concession for wastewater services
Waste Solutions (*Recyclage et Valorisation des Déchets*)					
East Paris Marne & Bois	April	Extension	5	36	Household waste management
Bordeaux Metropolitan area	July	New	7.5	406	Concession for the treatment and recovery of household waste
Orléans Metropolitan area	July	Renewal	9	151	Management of a sorting center and a waste-to-energy facility

Municipality or company and location thereof	Month of signature of contract	New contract, or extension or renewal	Contract term	Estimated cumulative revenue (*€ million*)	Services provided
La Rochelle Agglomeration	July	Renewal	7	56	Energy performance of a waste-to-energy facility
Greater Paris Seine and Oise	July	Renewal	8	31	Household waste collection
Greater Poitiers	July	New	8	25	Household waste collection and processing
Greater Nancy metropolitan area	October	Renewal	7	68.5	Household waste management
Flandre Morinie joint authority	October	Renewal	7	43	Operation of a waste-to-energy facility
French Riviera Agglomeration	October	Renewal	7	24.5	Household waste collection
Quimper waste incineration inter-municipal authority	November	Renewal	8	49	Construction work and operation of a waste-to-energy facility

* *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.*

1.5.2.2 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 2019 amounted to €9,501.1 million and represents 34.9% of Group revenue for the year ended December 31, 2019. EBITDA is €1,501.2 million (37.3% of Group EBITDA for 2019).

Central and Eastern Europe

For over 20 years, Veolia has been present in several Central and Eastern European countries, where its businesses have enjoyed steady and sustained growth. Mainly present in the water and energy markets, the Group manages municipal drinking water and/or wastewater systems for major cities including the capital cities Prague, Sofia, Budapest and Bucharest. Veolia teams also manage all water distribution activities in Armenia. 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), the Czech Republic (Prague Left Bank and Ostrava), Slovakia (Bratislava and Levice) and Hungary (Dorog, Pecs and Szakoly). Veolia is also present in the Czech Republic, Ukraine, Poland and now Slovenia in the recycling and recovery of industrial waste (notably ash in Poland), commercial waste and medical waste.

In 2019, Veolia strengthened its position in the water market in the Czech Republic by renewing and extending water and wastewater management contracts (notably around Olomouc) and in Romania by acquiring the water and wastewater concession company for the city of Popesti Leordeni (south-east of Bucharest). In the energy sector, the acquisition of the Levice Group (supply of energy and heating services in the Levice region in Slovakia) is effective since the beginning of 2019. In Poland, new customer connections to our main heating supply platforms (Lodz, Poznan, Warsaw) remained dynamic.

Most of Veolia’s activities are public service concessions for local authorities carried out under concession contracts, infrastructure leasing/operation contracts or institutionalized public/private partnerships at prices regulated by local authorities. Veolia also develops industrial services in Central and Eastern European countries: in 2019, around forty contracts were signed or renewed and building energy performance contracts entered into. For all customers, Veolia’s involvement accelerates the improvement and modernization of services and infrastructures, notably through the development of digital solutions and the Internet of Things.

In Central Europe, the Group’s actions are driven by European policies and associated regulations relating to the environment and energy (energy efficiency, support for renewable energies and high-efficiency cogeneration) and climate change mitigation or adaptation solutions.

United Kingdom and Ireland

In the United Kingdom, despite budgetary pressure on local authorities (investment cut by 40% between 2010 and 2018), the 25-year environmental plan and the 2020 environmental law offer a favorable framework for the development of Veolia’s activities. These texts define ambitious objectives to move towards a more circular economy and reduce CO_2 emissions by 2050.

As a long-term partner of UK local authorities, Veolia proposes bespoke waste processing solutions aimed at optimizing the use of resources and reducing waste. Under household waste infrastructure contracts (PPP - PFI), Veolia develops and operates innovative sorting and recycling facilities for recyclable household waste, waste-to-energy facilities producing low-carbon energy from residual household waste and facilities transforming organic matter to compost to be applied to land. Veolia also provides waste collection services on behalf of local authorities as well as commercial customers, developing bespoke collection solutions aimed at minimizing waste sent to landfill.

Veolia offers a comprehensive range of innovative solutions to develop the circular economy and transform recycled materials into resources. These recovery activities generate high quality secondary raw materials from recycled plastic and glass.

Veolia also provides services to regulated water companies to reduce their water consumption and produce energy from wastewater.

Veolia provides industrial clients in the United Kingdom and Ireland with integrated energy, water and waste solutions, aimed at reducing resource consumption and securing supply in the context of demanding industrial processes. To achieve this, Veolia develops bespoke solutions focusing on resource efficiency, low carbon emissions and circular processes. Veolia also proposes industrial cleaning, decontamination and dismantling services, as well as the collection, processing and recovery of hazardous waste through a major network of dedicated infrastructure.

Northern Europe

In Northern Europe, the environmental regulatory framework and the business climate benefit Veolia's business lines, with the exception of drinking water public service delegation contracts. 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 2019, Veolia continued to strengthen its presence in waste recovery with a number of acquisitions in the plastic recycling and sewage sludge management sectors. In Germany, Veolia actively participates in reducing CO_2 emissions through innovative solutions. Through its subsidiary, BS Energie, Veolia launched a program to replace the Braunschweig coal-fired power plant with a plant powered by biomass.

Veolia is active in Belux in the Energy and Waste business lines as well as industrial services, particularly at the Antwerp petrochemical site. Veolia Belux is actively involved in the implementation of innovative solutions for energy management in buildings and local heating distribution networks, thereby contributing significantly to CO_2 emission reductions by its customers and partners.

In the Netherlands, Veolia's activities are divided equally between managing heating networks and utilities at industrial sites and plastic and paper recycling.

In the Nordic countries (Sweden, Norway and Finland), in addition to the water and energy services offered to industrial clients, Veolia is active in recycling (paper, plastic) and industrial cleaning and can now offer customers a range of services covering all the Group' 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), 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 associated with the Global businesses of Veolia Water Technologies, which has a strong presence in the countries in this zone.

Other European countries

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

In Portugal, Veolia's activities primarily consist of energy recovery from solid municipal waste and energy efficiency solutions for thermal systems in public and private buildings (such as hospitals) and industry. Veolia also operates water treatment plants and provides waste management and processing services to industrial companies and municipalities. In the first quarter 2019, Veolia strengthened its waste business in Portugal with the acquisition of Renascimento, a waste processing and recycling company.

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 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. Veolia also provides management and maintenance services at industrial wastewater treatment plants.

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 customers. 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 2019 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
Venice Health Authority Italy	February	New	5	60	Energy efficiency services
Debrecen District Heating Company Hungary	March	Renewal	17	357	Provision of hot water to a district heating network
Trieste Health University Authority Italy	March	New	9	122	Energy services for buildings
Ploiesti municipality Romania	April	Extension	3	202	Production and distribution of urban heating
Wokingham Borough Council United Kingdom	April	Extension	7	33	Municipal waste collection
Papelera de Sarria S.L. Spain	June	New	6	24	Industrial energy efficiency services
Nueva Pescanova S.L. Spain	July	New	5	16	Industrial energy efficiency services
Abwasserverband Braunschweig (AVB) Germany	September	Renewal	10	10	Sludge management
Tarente municipality Italy	November	New	20	59	Energy services for buildings
Indra Sistemas, S.A. Spain	November	Renewal	5.5	53	Energy services for buildings
Olomouc Water Authority Czech Republic	December	New	5	29	Operation of drinking water and wastewater 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 2019 average closing exchange rate.

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 2019 amounted to €7,303.5 million, and represents 26.9% of Group revenue in 2019. EBITDA is €1,160.5 million (28.9% of Group EBITDA for 2019).

North America

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

Serving agglomerations, 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 in the energy sector to service sector customers, as well as 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 with agglomerations, cities and public bodies. In addition to these traditional models, Veolia has developed an innovative water management 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 industrial by-product reclamation processes and beneficial reuse programs, Veolia turns industrial customers' environmental challenges into circular economy solutions.

These solutions, and particularly resource recovery and regeneration activities, 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 water. 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 a wide range of industrial activities across the United States.

Veolia also has a strong presence in the hazardous waste market in North America and notably accompanies pharmaceutical and petrochemical companies, as well as companies in the defense and health sectors and universities and local authorities. In particular, the Company operates four incineration facilities at two sites in Texas and Illinois.

In December 2019, Veolia, through its subsidiary, Veolia Energy North America Holdings, Inc, finalized the sale of its district energy assets in the United States to Antin Infrastructure Partners. The activities sold include a portfolio of steam, hot and chilled water and electricity production plants, mainly using cogeneration, and 13 networks in 10 US cities.

In January 2020, Veolia also announced the signature of an agreement to take over Alcoa USA Corporation's hazardous waste treatment site in Gum Springs, Arkansas (United States), through its subsidiary, Veolia North America. With this operation, Veolia continues the global expansion of its hazardous waste treatment and recycling activity and adds a flagship site to its existing portfolio.

Latin America

In Latin America, Veolia operates its Water, Waste and Energy business lines in Brazil, Argentina, Chile, Colombia, Peru, Mexico, Ecuador and Panama. 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 in Mexico, Colombia, Ecuador, Peru and Chile. In 2019, Veolia acquired companies operating in the hazardous waste sector, and particularly medical waste, in Ecuador and Chile.

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 in Colombia, or the waste management contract for Sao Paulo in Brazil), as well as industrial activities for the mining, oil and food and beverage sectors in particular, by providing offers with significant added value to players in these segments. 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 South-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 tied to urbanization (64% of the population will live in urban areas by 2025), and increasingly strict regulatory policies (e.g. China's 13th Five-Year Plan sets outs ambitious environmental goals, particularly in terms of carbon impact).

In the first quarter 2019, Veolia strengthened its waste recycling activities in China with the acquisition of a 66% stake in Huafei, a plastic recycling specialist.

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 for energy efficiency and waste processing and recovery. The traditional water market remains a development opportunity for Veolia, driven by the digitalization of services and local authority desire to improve customer satisfaction.

Africa/Middle East

Africa and the Middle East are dynamic regions driven by very strong demographic growth, rapid urbanization and growing environmental awareness.

Improving the coverage of essential services remains necessary to the development of the African continent and therefore significantly structures the municipal market. Veolia's presence in Africa is focused in Morocco and two regional clusters, one in Western Africa (Niger, Côte d'Ivoire and Ghana), and the other in Southern Africa (South Africa and Namibia). In Morocco, Veolia provides electricity and water distribution services and wastewater treatment services for the agglomerations of Rabat, Tangier and Tetouan through three concession contracts. In Niger, Veolia supplies the country's urban centers with drinking water under a lease contract. In Namibia, Veolia supplies water to the city of Windhoek from wastewater made fit for human consumption. Activities were recently launched in South Africa (industrial waste) and Côte d'Ivoire (municipal water and waste). Veolia is also particularly attentive to the emergence on the continent of new methods of accessing basic services, alongside traditional centralized network solutions.

The oil and mining industries offer potential for diversifying Veolia's activities in this region, where it intends to replicate its first references in Ghana in the treatment of effluents and the supply of process water.

In the Middle East, the Group is present in its three business lines in all Gulf States, with municipalities, industrial companies and the service sector.

Pressure on water demand remains high in the region, where desalination projects continue and are often for extremely high capacity plants. The same is true for wastewater treatment plants. Sustainable operation and maintenance contracts for waste and wastewater services are also emerging. Veolia has a historical presence in these market segments and recently strengthened its position as co-leader, notably in the Emirates, Saudi Arabia and Oman.

At the same time, Veolia continues to penetrate the industrial market targeting leading local petrochemical players, which call on the Group for the treatment of their effluents and hazardous waste, as well as the supply of process water.

The service sector accounts for over half Veolia's activities in the Middle East through its subsidiary ENOVA, a joint venture with Majid-Al-Futtaim and a regional leader in energy services.

The major contracts signed in the Rest of world segment in 2019 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
Departamento de San Andrés, Providencia y Santa Catalina Colombia	January	Renewal	15	128	Management of water and wastewater services
Canterbury City Council Australia	February	New	5	27.5	Management of municipal and bulky waste
Industria Nacional de Gaseosas SA (Coca-Cola FEMSA) Colombia	February	New	13	27.5	Management of industrial energy services
British Petroleum Oman	February	Renewal	5	13.5	Management of industrial water (process, cooling and wastewater)
Taiwan Sugar Corporation Taiwan	February	New	2.5	13	Management of industrial waste incineration
Water and Electricity SMLLC Saudi Arabia	February	New	25	221	Management and wastewater treatment
HBIS Company Limited Chengde Branch China	March	New	10	54.5	Management of industrial water (treatment, recycling and recovery of salt [ZLD])
DuPont Specialty Products USA, LLC United States	April	Renewal	10	125	Supply of sulfuric acid
Kuwait Integrated Petroleum Industries Company Kuwait	July	New	7	56	Management of industrial water (process, cooling and wastewater)
SK Hynix System IC Wuxi Ltd. China	April	New	10	37	Management of industrial water (ultrapure water)
Shaanxi Longmen Coal-Chemical Co., Ltd. China	July	New	15	126	Construction and operation of an industrial wastewater treatment facility (ZLD)
City of Toronto Canada	July	Renewal	10	57.5	Management of organic waste
City of Auburn, Alabama United States	August	Renewal	10	16	Management of organic waste
Servicio de Agua Potable y Alcantarillado de Lima S.A. Peru	September	New	3	34	Commercial activities and operations
Chiayi City Taiwan	September	Renewal	5	16.5	Management of municipal waste incineration

* *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 2019 average closing exchange rate.

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 2019 amounted to €4,733.8 million, and represents 17.4% of Group revenue in 2019. EBITDA is €396.2 million (9.9% of Group EBITDA for 2019).

Veolia Water Technologies

Veolia Water Technologies (VWT) is responsible for the Group's design and execution offers dealing with Water. The subsidiary designs 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 and services, equipment and technologies tailored to water treatment, as well as services including after-sales services for the installed equipment base, the supply of chemical products, mobile intervention solutions and digital monitoring solutions for water treatment equipment or installations. Under the Impact 2023 strategic program, Veolia Water Technologies will now focus its development on the sale of technologies and related recurring services and significantly reduce its exposure to construction risk.

SADE

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

SADE Télécom, a SADE subsidiary, specializes in the construction, operation and maintenance of high speed (copper ADSL) and very high speed (fiber optic) wired networks, as well as terrestrial broadcast and electrical networks

Hazardous waste

The Hazardous Waste Division encompasses hazardous waste collection and processing activities in Europe and notably includes the solutions proposed by the Group in the nuclear sector.

SARP – SARP Industries

While SARP specializes in wastewater systems and industrial maintenance via its SODI subsidiary, SARP Industries (SARPI) specializes in the processing and recovery of hazardous waste and soil landfilling and remediation. SARPI integrated and developed new processing platforms in Belgium and Germany, continuing its development policy for its hazardous waste processing platform.

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.

In 2019, SARPI acquired a hazardous waste incinerator on a German site operated by Evonik, a global leader in specialty chemicals, with the aim of increasing treatment capacity in Europe and becoming a major player in hazardous waste in Germany.

Nuclear Solutions

Veolia grouped together its activities in the nuclear sector in a Business Unit: Nuclear Solutions. This entity notably 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. This was further strengthened by the signature of an agreement with EDF in 2018, for the dismantling of graphite nuclear plants. The acquisition in 2016 of Kurion, specializing in nuclear clean-up technologies, was supplemented in 2018 by the integration of the activities of Wastren Advantage Inc (WAI), specialized in US federal government contracts. 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.

In December 2019, Veolia and EDF, through their respective subsidiaries, Cyclife Holding and Asteralis, announced the creation of a joint structure, Graphitech, in response to the challenges of decommissioning nuclear reactors that incorporate graphite technology.

Other

Sede Environnement

Sede Environnement offers a range of sludge treatment and recovery services, primarily via composting, anaerobic digestion and dehydration. Its subsidiary Angibaud has developed a 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: Integrated 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 Beverage 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).

Veolia Énergie France

Veolia Énergie France, offers comprehensive energy services to public and private customers in France. Veolia Énergie France generated annual revenue of €128.9 million in the year ended December 31, 2019.

Veolia Énergie France's offering is organized around three divisions:

- the Thermal and Climate Engineering Division, dedicated to the maintenance of thermal and climate engineering facilities, multi-technology maintenance, energy management and thermal operation;
- the Energy Efficiency Division, comprising the companies Façade Ingénierie (FI) and Façade Ingénierie Construction (FIC), dedicated to the performance of service sector buildings, and Altergis Ingénierie;
- the Electrical Engineering Division, comprising the company POSITIF, dedicated to maintaining electrical energy systems in service and industrial buildings.

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

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

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

- municipalities (municipal buildings, elementary and high schools, swimming pools);
- health (hospitals, assisted living and retirement homes, etc.);
- defense (army, police, etc.);
- industry (food and beverage, laboratories, cosmetics, etc.);
- residential (condominiums, social housing, hotels, luxury residences);
- service (buildings, offices, movie theaters, mass retail, shopping malls, etc.).

The major contracts signed in France in 2019 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
Sewerage Board of Limassol – Amathus Cyprus	November 2018	New	2	16.5	Construction of a municipal wastewater treatment plant
Haya Power & Desalination Company B.S.C. Bahrein	January	New	3.5	170	Supply of desalination technology
Rabigh 3 Company Saudi Arabia	January	New	3	114	Supply of desalination technology
Saudi Bin Ladin Group Saudi Arabia	January	Extension	1	20	Design and build of a drinking water treatment plant
PSA Automobiles S.A. France	July	Renewal	4 + 2	107	Industrial multiservices
China Chengda Engineering Co. Ltd China	July	New	2	17.5	Treatment of soda and supply of technology
Bracell SP Celulose Ltda Brazil	August	New	1.5	58.5	Design and build of an industrial water treatment plant
Orascom Co. & The Arab Contractors Co. Egypt	August	New	1.5	17	Engineering for a municipal wastewater treatment plant
Électricité de France France	August	New	2.5	16	Construction of a deep wet well

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
Instituto Costarricense de Acueductos y Alcantarillados					
Costa Rica	August	New	1.5	13.5	Construction of wastewater collectors
Lonza Group AG					
Switzerland	October	New	5	70	Industrial multiservices
Naqa'a Desalination Plant L.L.C.					
United Arab Emirates	November	New	2.5	228	Engineering and construction of a desalination plant
Genesis Alkali LLC					
United States	November	New	1.5	33	Treatment of sodium carbonate and supply of technology
Salten Smolt AS					
Norway	November	New	2	21	Engineering and construction of an aquaculture basin
MODEC International LLC					
Brazil	November	Extension	1	17	Treatment of sulfates and supply of technology
Villefranche Beaujolais Saône Agglomeration					
France	October	New	4	16	Engineering and construction of a drinking water treatment plant

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(1) Aggregate revenue is estimated based on the contract amount translated into euro at the 2019 average closing exchange rate.

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).

1.6 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, the most important of which are presented below.

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.

1.6.1 INTERNATIONAL REGULATIONS

There are a great many international agreements that are often sector-based as well as statements of principle; however, there are no general environmental regulations applicable to all countries. It was in this context that the draft Global Pact for the environment was proposed in 2017, seeking to assemble the principles of environmental law within a single regulation.

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.

1.6.2 EUROPEAN REGULATIONS

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

Regulations common to the three business lines:

- **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, various 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 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. 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. It establishes new prevention rules primarily integrating the changes introduced by the Classification, Labelling & Packaging (CLP) regulation;
- 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 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), with 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 2015 Paris Agreement; Directive 2018/410/EU of March 14, 2018 extends and redefines European Union emission trading system rules for the fourth period (2021-2030 - phase IV);
  - Combustion facilities with a thermal output greater than 20 MW and certain industrial companies falling within the scope of the directive are subject to the European Union emission trading system and registered in the national quota allocation plans introduced since 2005 in all EU Member States. These rules have also been gradually applied to the aviation sector. As from 2021, the quotas available in the European Union emission trading system will be reduced on a linear basis by 2.2% per year and Member States shall auction at minimum a quota share of 57%. The free allocations stipulated for the heating sector will also be gradually reduced, except for district heating networks which will still receive free allocations of 30% of their quotas until 2030. The calculation and benchmark methodologies for estimated required quotas based on past pollution levels were also adjusted for phase IV. A cross-sectoral correction factor may also be applied by the European Union to adjust any over or under allocation of quotas;
  - To support a robust price signal, a stability reserve was implemented in early January 2019 in accordance with decision 2015/1814 and the revision of phase IV. This withdrew the surplus accumulated in previous periods that resulted in an excess supply in the European Union emission trading system. Between 2014 and 2020, 900 million quotas will also be withdrawn from the market through a backloading scheme. The arrival of phase IV and the reserve had a major impact on the European Union emission trading system, with early January 2020 prices of up to €25/t CO_2 and the participation of new speculative players;
- 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 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.

Regulations specific to each busines lines

WATER

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 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 2015.

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.

WASTE

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 their 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 required Member States to implement inspection plans by January 1, 2017 at the latest, with a view to ensuring more effective inspections.

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 life cycles, from production and consumption to waste management and the development of a market for secondary raw materials, and (ii) proposed revisions to waste legislation.

Four directives of May 30, 2018 (2018/851, 2018/850, 2018/852 and 2018/849) amended the Waste Framework Directive, the Landfill Directive, the Packaging and Packaging Waste Directive, the End-Of-Life Vehicle Directive, the Waste Batteries and Accumulators Directive and the Waste Electrical and Electronic Equipment Directive. The new regulations seek to prevent waste production and its adverse impacts, promote waste reuse, recycling and recovery and gradually reduce landfill waste.

ENERGY

Large combustion plants (with a thermal output of 50 MW or more) are governed since 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.

In December 2018, the European Commission voted a **Clean Energy Package** revising European regulations on renewable energy, energy efficiency, the energy performance of buildings, electricity markets and consumer rights. It prioritizes energy efficiency and the development of renewable energy and promotes a fair deal for electricity consumers and flexible conditions.

With regard to **energy efficiency**, Directive 2012/27/EU of October 25, 2012 was recently revised by Directive (EU) 2018/2002 of December 11, 2018, which defines the EU energy saving targets for 2030 (32.5%).

With regard to **renewable energy**, a target of 32% renewable energy in the European energy mix by 2030 was set (with a clause for an upwards revision by 2023). Directive 2018/2001/EU of December 11, 2018 is the primary legislative framework governing heating networks and recognizing unavoidable waste heat. This review of renewable energy regulations enabled the adoption of a harmonized framework for biomass sustainability criteria.

WATER (afterpart)

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 requires Member States to identify and map high-risk river basins and coastal areas and to produce management plans.

WASTE (afterpart)

In August 2018, the Best Available Techniques conclusions for the waste management sector were published. These were obtained following a review of the Best Available Techniques reference documents on waste treatment.

2018 was marked by discussions on **plastic**: the Commission published its plastic strategy in January 2018 and, in June 2019, Directive 2019/904/EU of June 5, 2019 on the reduction of the impact of certain plastic products on the environment imposed bans on the commercialization of certain single use plastics.

In November 2019, the decision establishing Best Available Techniques for waste incineration was published.

ENERGY (afterpart)

Likewise, Regulation (EU) 2018/1999 on the Governance of the Energy Union of December 11, 2018 defines for member countries the ways and means of achieving the targets set for 2030 in the previous directives and requires them to draw up **National Energy and Climate Plans (NECPs)**.

These developments supplement the agreements reached in December 2017 which resulted in the revision of the Building Energy Efficiency Directive by Directive (EU) 2018/844 of May 30, 2018.

1.6.3 FRENCH REGULATIONS

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

French regulations are constantly being reformed due to the transposition of European laws and the roll-out of national environmental policy. For example, ICPE classification was amended at least four times in 2018.

In France, the administrative authorities (DREAL - Regional Departments for the Environment, Planning and Housing) are responsible for the monitoring and control of facilities.

Regulations common to the three business lines:

- 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 the protection of the environment;
- the planning law aimed at implementing the *Grenelle de l'environnement* decisions, known as the "**Grenelle 1 law**" of August 3, 2009, was supplemented by a law 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 national low-carbon strategy (NLCS), currently set by the Decree of November 18, 2015, 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 (EMAPD) currently in effect, 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 proposed new EMAPD and NLCS were the subject of discussion and further public consultations will be held in 2020 prior to final adoption;
- the **energy-climate law of November 8, 2019** raises France's ambitions and includes an objective of carbon neutrality by 2050, increasing from 30% to 40% the target decrease in fossil energy consumption compared with 2012 by 2030 and banning electricity production using coal by 2022. It also introduces a framework more favorable to the development of renewable energies and own use. In addition, it modifies the system introduced by the law of 2015 by providing for the adoption of a five-year law that will set the objectives and priority actions of the national energy policy and with which the EMAPD and NLCS will have to be compatible. Finally, the law institutionalizes the existence of the High Council for the Climate, which has a significant institutional role;
- 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 inserted 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 after the creation of the French Agency for Biodiversity, was the merger of this agency with the National Agency for Hunting and Wildlife to create the French Office for Biodiversity on January 1, 2020. This agency plays a major role as it contributes, in land, aquatic and marine environments, to the oversight, protection, management and restoration of biodiversity and to the balanced and sustainable management of water in coordination with the national policy to combat global warming;
- 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 changed ICPE legislation. It merged the different environmental procedures and decisions concerning projects requiring permits pursuant to ICPE regulations or the Water Act (IOTA see above);
- The management of the risk of **Legionnaires' disease**, is governed at global level by the WHO, as well as at European level and within several countries. In France, for example, prevention primarily involves the regulation of cooling towers;
- **The "PACTE" law no. 2019-486 of May 22, 2019 on company growth and transformation** modifies the French Civil Code by establishing that "*the company is managed in its corporate interest, taking account of the social and environmental issues of its business.*"

It also introduces the ability for a company to adopt a purpose, with the objective of rethinking the place of companies in society. The Group has adopted a Purpose (see Chapter 1.1.2).

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.

Regulations specific to each busines lines:

WATER

Many laws and regulations govern the production of drinking water, wastewater treatment and water pollution,

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. Likewise, under law no. 2018-702 of August 3, 2018, this obligation may be postponed from 2020 to 2026.

WASTE

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 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 subsequently published.

ENERGY

The French Energy Code and the French Environmental Code define the regulatory framework governing energy policy.

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 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 on renewable energies 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 subsequently published.

Ministerial orders clarify the technical requirements applicable to combustion facilities according to their size.

Veolia also contributes to the French capacity market via its electricity production facilities in line with Decree 2012/1405 of November 14, 2012. Certain facilities are also impacted by Decree 2016/682 on the power purchase obligation and the market-based premium for renewable energies.

Similarly, the conditions for marketing, using, recovering and destroying substances used as refrigerating fluids in refrigerating and air-conditioning equipment are also regulated.

WATER (afterpart)

The law no. 2019-1461 of December 27, 2019 on commitment to local life and proximity to public action, introduces social tariffs for water, relaxes the implementation of GEMAPI responsibilities and organizes the transfer of water and wastewater responsibilities to the EPCIs.

Special attention is paid to protecting catchment areas and regulation covers 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.

WASTE (afterpart)

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.

ENERGY (afterpart)

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.

1.6.4 AMERICAN, AUSTRALIAN AND CHINESE REGULATIONS

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.

With regard to 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 several 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 specific regulations related to thermal energy or, conversely, set-out a precise regime including the setting of rates. Finally, energy 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, 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 definition of water pollution.

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.

The 2007 Act on greenhouse gas emission and **energy** reporting (NGER Act) established the legal framework of the NGER scheme, a national framework for the reporting of greenhouse gas emissions and projects as well as energy consumption and production by Australian companies.

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 Water Pollution law (amended in 1995 and 2000);
- the 1995 Solid Waste law (amended in 2004);
- 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 adopted in 2016 by the Standing Committee of The National People's Congress of China provides the strongest legal foundation to date for enforcement of environmental protection measures. It replaces the pollutants emission fee system which has been in place for almost 40 years. It also imposes 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 this law that became effective as of 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, which offers growth opportunities for enterprises with energy-saving and environmental protection technologies, energy performance contracts, water-saving management contracts and third-party environmental pollution governance expertise.

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 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 and 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, which was launched in 2018 for a trial period, followed by an adjustment period in 2019 before its finalization in 2020.

China enacted its Soil Pollution Prevention and Control law on August 31, 2018. The law took effect on January 1, 2019. It sets out general principles for soil pollution prevention and control, and introduces a series of soil pollution prevention and control management systems such as planning and information sharing, risk management and control, monitoring and supervision, etc.

At the end of 2018, the Environmental Impact Assessment Regulation was amended. A project company will be responsible for the result and any matter arising from environmental impact assessments (a step prior to project construction). The Environmental Impact Assessment Agency will no longer assume joint liability with the project company for the environmental impact assessment report and the qualification of the agency is no longer required.

The Ministry of Ecology and Environment (previously the Ministry of Environmental Protection) issued the Measures on Public Participation in the Environmental Impact Assessment on July 16, 2018. The public is entitled to acknowledge, participate and supervise the Environmental Impact Assessment process.

In order to further control air pollutants, the State Council released the Circular of the State Council on the publication of the Three-year Action Plan for Winning the Battle for a Blue Sky on June 27, 2018. The target is to reduce total emissions of sulfur dioxide and nitrogen oxides by over 15% by 2020 compared with 2015, to reduce the concentration of PM2.5 in cities by 18% compared with 2015 and to attain a ratio of days with superior air quality in cities at the prefectural level or above of 80%, and a ratio of days with severe and worse pollution of 25% lower than in 2015. The industrial structure will be adjusted and optimized accordingly.

In 2019, China continued to promote the clean energy industry. The National Commission for Development and Reform, the Ministry of Ecology and Environment and eight other ministries jointly published guidelines on the biogas industry at the end of 2019. The authorities have set a target of producing over 10 billion cubic meters of biogas by 2025 and 20 billion cubic meters of biogas by 2030.

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, 2019, Veolia Environnement's share capital was €2,836,332,695, divided into 567,266,539 fully paid-up shares, all of the same class, with a par value of €5 each (see Section 2.1.6, below).

As of the date of filing of this Universal 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
2019			
December	24.100	22.570	28,759,394
November	23.670	22.540	29,501,985
October	23.610	22.050	34,267,802
September	23.280	21.190	43,719,824
August	22.960	21.300	37,657,025
July	23.220	21.400	36,350,913
June	21.780	20.560	33,726,521
May	21.630	19.745	41,271,947
April	21.350	19.910	34,214,733
March	20.350	19.200	32,500,981
February	20.080	18.225	40,168,917
January	18.440	17.500	34,217,888
2018			
December	19.170	17.400	40,598,668
November	19.120	17.540	42,842,215
October	17.920	16.420	49,365,842
September	18.235	17.025	44,090,725
August	19.380	17.895	38,752,720
July	19.710	18.140	43,198,621

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 Universal Registration Document (plan authorized by the Combined General Meeting of April 18, 2019)

During the Combined General Meeting of April 18, 2019, the Company's shareholders authorized a share repurchase plan that allows the Company to purchase, sell or transfer its shares at any time, except during a public offer, within the limits authorized by provisions set forth by the law and regulations in force, and by any means, on regulated markets, on multilateral trading systems, with systematic internalizers or over the counter, including through block sales or purchases (with no limit on the proportion of the share repurchase plan that may be implemented by this method), by public offers to purchase or exchange shares, or through the use of options or other forward financial instruments traded on regulated markets, multilateral trading systems, with systematic internalizers or concluded over-the-counter or through delivery of shares following the issue of securities granting access to the Company's share capital through conversion, exchange, redemption, exercise of a warrant or otherwise. Transactions may be conducted either directly or indirectly through an investment services provider.

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) granting or selling shares to employees in respect of their profit-sharing plan or the implementation of any company savings plan, (iii) granting 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 18, 2019 set the maximum share purchase price at €30 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 Universal Registration Document, will expire no later than eighteen months from the date of the Combined General Meeting of April 18, 2019, i.e., on October 18, 2020, 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 2019

Percentage of the Company's share capital held as treasury shares as of December 31, 2019	2.19
Number of treasury shares held as of December 31, 2019	12,450,465
Carrying value of the portfolio as of December 31, 2019*	€300,800,352
Market value of the portfolio as of December 31, 2019**	€295,200,525
Number of shares canceled over the past 24 months	0

* *Carrying value excluding provisions.*
** *Based on the closing price as of December 31, 2019 (€23.71).*

On May 31, 2019, Veolia Environnement and Rothschild & Cie bank terminated the liquidity contract entered into in September 2014. On May 28, 2019, Veolia Environnement entrusted the implementation of a new liquidity contract to Kepler Cheuvreux, commencing June 1, 2019 for an initial period ending December 31, 2019 and automatically renewable for successive 12-month periods (unless terminated). An amount of €20 million was allocated to the operation of the new liquidity account (excluding all securities).

(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.*

The table below details transactions by the Company in treasury shares during fiscal year 2019 under the program authorized by the Combined General Meeting of April 18, 2019:

	Cumulative gross flows as of December 31, 2019		Open positions as of December 31, 2019			
	Purchases (1)	Sales/ Transfers (2)	Open buy positions		Open sell positions	
			Call options purchased	Forward purchases	Call options sold	Forward sales
Number of shares	1,545,769	1,605,693	N/A	N/A	N/A	N/A
Average transaction price *(in €)*	21.22	21.54	N/A	N/A	N/A	N/A
Average strike price *(in €)*	N/A	N/A	N/A	N/A	N/A	N/A
AMOUNTS *(IN EUROS)*	33,309,260	31,666,194	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 and the UK Share Incentive Plan.

2.1.3.3 Objectives of transactions carried out in 2019 and allocation of treasury shares held

As of December 31, 2019, Veolia Environnement held a total of 12,450,465 treasury shares, representing 2.19% 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:

- 4,061,406 shares were allocated to cover stock option programs or other share grant programs for Group employees;
- 8,389,059 shares were allocated to external growth transactions.

As of December 31, 2019, Veolia Environnement held 10,000 shares under the current liquidity agreement.

2.1.3.4 Description of the program submitted to the Combined General Meeting of April 22, 2020 for authorization

The share repurchase authorization described in Section 2.1.3.1 above will expire on October 18, 2020 at the latest, unless the Combined General Meeting of April 22, 2020 adopts the resolution presented 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) granting 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) granting 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 22nd resolution adopted by the Combined General Meeting of April 19, 2018 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., 56,726,653 shares as of the date of filing of this Universal Registration Document, it being specified that (i) the number of shares purchased for retention and subsequent delivery as part of a merger, spin-off or contribution may not exceed 5% of the share capital; and (ii) when shares are bought to increase liquidity under the conditions defined by the AMF's General Regulations, the total number of shares taken into account for the calculation of the aforementioned limit of 10% is the number of shares bought, after deduction of the number of shares sold during the period of the authorization,
  - the number of shares that the Company holds at any given time whatsoever does not exceed 10% of the shares comprising the Company's share capital on the date in question;
- shares may be 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 €36 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 22, 2020 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, grant 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 22, 2020, 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 BY UNISSUED SHARES

2.1.4.1 Authorizations adopted by the Combined General Meeting of April 19, 2018 (1)

Type of authorization	Securities/ transactions concerned	Term of authorization and expiry date	Upper limit on the use of the authorization *(in € and/or as a percentage)*	Used in 2019
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")	None
	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)	None
	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)	None
	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)	None
	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)	None
	Increase in share capital 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)	None
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	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 13th resolution presented to the Combined General Meeting of April 19, 2018.*

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

2.1.4.2 Authorizations adopted by the Combined General Meeting of April 18, 2019 (1)

Type of authorization	Securities/ transactions concerned	Term of authorization and expiry date	Upper limit on the use of the authorization *(in € and/or as a percentage)*	Used in 2019
Share repurchases				
	Share repurchase program Except during a public offer period (Resolution 12)	18 months October 18, 2020	**€30 per share, up to a limit of 56,559,334 shares and €1 billion;** the Company may not hold more than 10% of its share capital	**Treasury shares** As of December 31, 2019, the Company held 12,450,465 shares, valued based on the closing share price as of December 31, 2019 (€23.71) at €295,200,525 **Movements in the liquidity contract** 1,545,769 shares purchased and 1,605,693 shares sold. As of December 31, 2019, the Company held 10,000 shares under the current liquidity contract (see Section 2.1.3 of the 2019 Universal Registration Document)
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 13)	26 months June 18, 2021	€56,559,334 (par value) **representing approximately 2% of the share capital** as of the date of the General Meeting (this amount counting towards the overall cap)	Share capital increase reserved for employees (Group savings plan): issue on November 15, 2019 of 1,440,918 new shares, representing approximately **0.25% of the share capital** at this date.
	Issuances reserved for employees with cancellation of preferential subscription rights** Share capital increase reserved for a category of beneficiaries (Resolution 14)	18 months October 18, 2020	€5,655,933 (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)	None
	Authorization granted to the Board of Directors to issue free shares, existing or to be issued, to employees of the Group and corporate officers of the Company, with waiver by shareholders of their preferential subscription rights. (Resolution 15)	26 months October 18, 2020	**0.4% of the share capital** as of the date of the General Meeting.	During its meeting of April 30, 2019, the Board of Directors decided to grant, effective the same day, 1,131,227 performance shares to approximately 450 beneficiaries, representing approximately **0.20% of the share capital** at this date.

* *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 13th 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).*

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

2.1.4.3 Authorizations proposed to the Combined General Meeting of April 22, 2020

Type of authorization	Securities/ transactions concerned	Term of authorization and expiry date	Upper limit on the use of the authorization *(in millions of euros and/or as a percentage)*
Share repurchases			
	Share repurchase program Except during a public offer period (Resolution 14)	18 months October 22, 2021	**€36 per share, up to a limit of 56,726,653 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 15)	26 months June 22, 2022	€850 million (par value) representing **approximately 30% of the share capital a**s of the date of the General Meeting (counting towards the overall maximum par value amount of €850 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 16)	26 months June 22, 2022	€283 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 17)	26 months June 22, 2022	€283 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 €283 million for share capital increases without PSR and towards the overall cap)
	Issuances of securities as payment for contributions in kind* (Resolution 18)	26 months June 22, 2022	**10% of the share capital** (counting towards the par value upper limit of €283 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 19)	26 months June 22, 2022	**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 €283 million for share capital increases without PSR)
	Increase in share capital through the capitalization of premiums, reserves, profits or other items* (Resolution 20)	26 months June 22, 2022	€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 21)	26 months June 22, 2022	€56,726,653 (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 22)	18 months October 22, 2021	€17,017,996 (par value) representing **approximately 0.6% 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 of the Group and corporate officers of the Company, with waiver by shareholders of their preferential subscription rights. (Resolution 23)	26 months June 22, 2022	**0.5% of the share capital as of** the date of the General Meeting

Type of authorization	Securities/ transactions concerned	Term of authorization and expiry date	Upper limit on the use of the authorization *(in millions of euros and/or as a percentage)*
Share capital reduction by cancellation of shares			
	Cancellation of treasury shares (Resolution 24)	26 months June 22, 2022	10% of the share capital per 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 €850 million set forth in the 15th resolution presented to the Combined General Meeting of April 22, 2020.*

** *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 bonds convertible into and/or exchangeable for new and/or existing shares

See Section 2.1.7 below.

Potential dilutive effect of performance shares

In accordance with the Group's compensation policy and the authorization granted by the Company's Extraordinary General Meeting of April 19, 2018, the Board of Directors decided on May 2, 2018, at the recommendation of the Compensation Committee, to grant 1,731,368 performance shares, representing 0.31% of the share capital as of December 31, 2018, to approximately 700 top executives and high-potential employees of the Group.

In addition, pursuant to the authorization granted by the Company's Extraordinary General Meeting of April 18, 2019, the Board of Directors decided on April 30, 2019, at the recommendation of the Compensation Committee, to grant 1,131,227 performance shares, representing 0.20% of the share capital at this date, to approximately 450 beneficiaries.

The scheduled issue date is May 2021 for the 2018 performance shares and May 2022 for the 2019 performance shares. If all these shares were issued, this would represent a dilution of 0.50%, based on 567,266,539 shares outstanding as of December 31, 2019.

See Chapter 7, Section 7.4.3.1 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 2015:

Meeting date	Transaction	Number of shares issued	Par value of the shares *(in €)*	Par value amount of the share capital increase *(in €)*	Additional paid-in capital *(in €)*	Total share capital *(in €)*	Total number of shares
04/19/2018 (recorded by the Chairman and Chief Executive Officer on 09/20/2018)	Share capital increase reserved for employees (Group savings plan)	2,228,518	5	11,142,590	22,909,165.04	2,827,966,705	565,593,341
04/19/2018 (recorded by the Chairman and Chief Executive Officer on 05/03/2019)	Share capital increase following the vesting of free shares granted to all French employees of the Group (46,456 employees)	232,280	5	1,161,400		2,829,128,105	565,825,621
04/18/2019 (recorded by the Chairman and Chief Executive Officer on 11/15/2019)	Share capital increase reserved for employees (Group savings plan)	1,440,918	5	7,204,590	17,925,019.92	2,836,332,695	567,266,539

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, 2019 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, 2019 (in millions of currency units)	Interest rate	Maturity
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
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
December 5, 2018	EUR	750		750	1.94%	January 7, 2030
January 14, 2019	EUR	750		750	0.892%	January 14, 2024

As of December 31, 2019, the total nominal outstanding amount of the EMTN program was €7,897 million, maturing in more than one year.

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

Veolia Environnement redeemed early the bonds convertible into and/or exchangeable for new and/or existing shares ("OCEANE") issued on March 8, 2016 and maturing March 15, 2021, in the nominal amount of approximately €700 million. On September 13, 2019, an initial redemption of 93% of the nominal amount was performed at a unit price of €30.31 as part of a redemption offer. This was followed on November 13, 2019 by a second supplementary redemption of 7% of the nominal amount at par, that is a unit price of €29.99, on the exercise of a clean-up call.

On September 12, 2019, Veolia Environnement completed an offering of bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE") maturing January 1, 2025 by way of a private placement without shareholders' preferential subscription rights, of a nominal amount of approximately €700 million. These bonds will not bear interest and were issued at 103.25% of their principal amount. The bonds have a nominal unit value of €30.41 representing a premium of 35% above the Company's reference share price on the issue date.

As of December 31, 2019, the total nominal outstanding amount was approximately €700 million, maturing in more than one year.

Public issue on the US market

On December 23, 2019, Veolia Environnement performed a partial redemption in the amount of US$100 million of the US$400 million bond line paying interest at 6.75% and maturing in June 2038, issued in 2008 on the American market.

As of December 31, 2019, the total nominal outstanding amount was US$300 million (€267 million euro-equivalent), maturing in more than one year.

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

On December 10, 2019, Veolia Environnement filed with the National Association of Financial Market Institutional Investors (NAFMII), two bond issue programs on the Chinese domestic market for a period of two years and a maximum nominal amount of 10 billion renminbi, replacing the program signed in August 2016 and maturing in August 2018.

On December 17, 2019, Veolia Environnement performed two bond issues under this new program for a total amount of 1.5 billion renminbi, through a private placement with Chinese and institutional investors. The bond issues mature on December 17, 2020 and pay a coupon of 3.7%.

As of December 31, 2019, the total nominal outstanding amount of these bond issues was 1.5 billion renminbi (€192 million euro-equivalent), maturing in less than one year.

Commercial paper

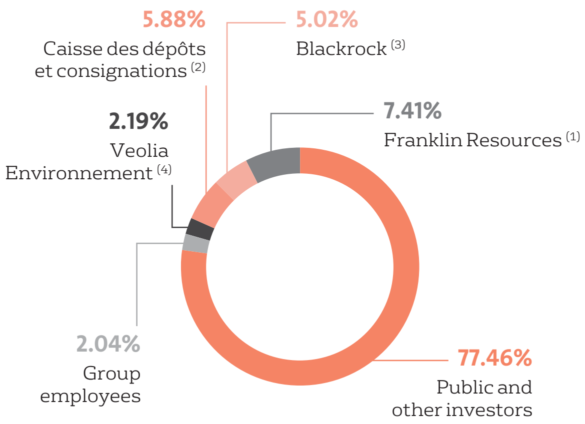
Veolia Environnement has a short-term financing program comprising commercial paper, capped at €4 billion.

As of December 31, 2019, the total outstanding amount of commercial paper issued by the Company was €3,493 million.

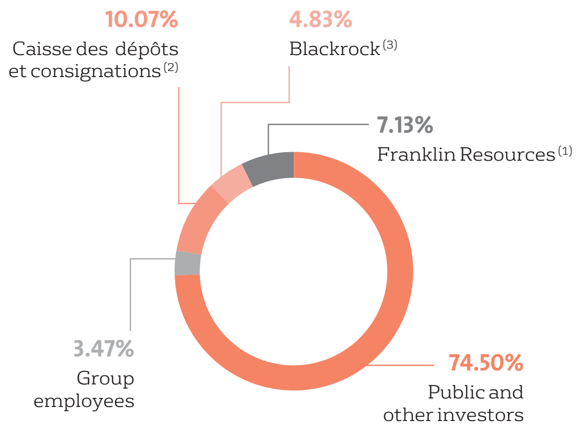
2.2 Veolia Environnement shareholders AFR

2.2.1 BREAKDOWN OF SHAREHOLDERS AS OF DECEMBER 31, 2019

Breakdown of shareholders (number of shares)



Breakdown of shareholders (voting rights available for exercise)



(1) According to the notification to the Company on January 13, 2020 by Franklin Resources that it had crossed a bylaws reporting threshold.
(2) According to the notification to the Company on January 2, 2020 by Caisse des Dépôts that it had crossed a legal reporting threshold (AMF Decision and Information no. 220C0114 dated January 9, 2020).
(3) According to the notification to the Company on December 2, 2019 by BlackRock that it had crossed a legal reporting threshold (AMF Decision and Information no. 219C2540 dated December 3, 2019).
(4) 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, 2019 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 Universal 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, 2019					Position as of December 31, 2018			Position as of December 31, 2017		
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)	42,036,249	7.41	42,036,249	42,036,249	7.13	48,457,878	8.57	8.27	28,282,109	5.02	4.85
Caisse des Dépôts (2)	33,344,181**	5.88	59,380,300	59,380,300	10.07	26,036,119	4.60	8.88	26,036,119	4.62	8.94
Blackrock (3)	28,489,269	5.02	28,489,269	28,489,269	4.83	28,234,644	4.99	4.82	-	-	-
QD For Investment in Shares (QDFIS) (4)	-	-	-	-	-	-	-	-	26,107,208	4.63	4.48
Veolia Environnement (5)	12,450,465	2.19	12,450,465	0***	0***	12,510,389	2.21	0	13,704,835	2.43	0
Public and other investors	450,946,375	79.50	459,811,540	459,811,540	77.97	450,354,311	79.63	78.03	469,234,552	83.30	81.73
TOTAL	567,266,539	100%	602,167,823	589,717,358	100%	565,593,341	100%	100%	563,364,823	100%	100%

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

** Including 26,036,119 shares held in registered form for more than two years.

*** As of December 31, 2019, Veolia Environnement held 12,450,465 treasury shares.

(1) According to the notification to the Company on January 13, 2020 by Franklin Resources that it had crossed a bylaws reporting threshold. Between January 1, 2020 and March 16, 2020, Franklin Resources filed several notifications that it had crossed downwards the legal 5% share capital and/or voting rights threshold (see AMF Decisions and Information no. 220C0693 and no. 220C0739). At the date of the most recent notification, i.e. February 25, 2020, Franklin Resources held 28,307,957 shares and as many voting rights, representing 4.99% of the share capital and 4.70% of voting rights of Veolia Environnement.

(2) According to the notification to the Company on January 2, 2020 by Caisse des Dépôts that it had crossed a legal reporting threshold (AMF Decision and Information no. 220C0114 dated January 9, 2020). Between January 10, 2020 and March 16, 2020, Caisse des Dépôts filed several notifications that it had crossed, upwards or downwards, the legal 10% share capital and/or voting rights threshold (see AMF Decisions and Information no. 220C0352 and, no. 220C0413). At the date of the most recent notification, i.e. January 30, 2020, Caisse des Dépôts held, directly or indirectly, 33,837,962 shares and 59,874,081 voting rights, representing 5.97% of the share capital and 9.94% of voting rights of Veolia Environnement.

(3) According to the notification to the Company on December 2, 2019 by BlackRock that it had crossed a legal reporting threshold (AMF Decision and Information no. 219C2540 dated December 3, 2019). During the year ended December 31, 2019, Blackrock filed several notifications that it had crossed, upwards or downwards, the legal 5% share capital and/or voting rights threshold (see AMF Decisions and Information no. 2019C0032, no. 219C0072, no. 219C0085, no. 219C0132, no. 219C0236, no. 219C0286, no. 219C0292, no. 219C0309, no. 219C0340, no. 219C0360, no. 219C0372, no. 219C0386, no. 219C0391, no. 219C0465, no. 219C0495, no. 219C0510, no. 219C0522, no. 219C0530, no. 219C1050, no. 219C1061, no. 219C1076, no. 219C1133, no. 219C1201, no. 219C1218, no. 219C1229, no. 219C1255, no. 219C1285, no. 219C1312, no. 219C1377, no. 219C1639, no. 219C2147, no. 219C2181, no. 219C2481, no. 219C2512 et no. 219C2540). Between January 1,2020 and March 16, 2020, Blackrock did not, to the best of the Company's knowledge, file any notifications that it had crossed, upwards or downwards, the legal 5% share capital and/or voting rights threshold.

(4) On March 13, 2018, QD for Investment in Shares sold its entire shareholding of 26,107,208 shares through a private placement open to institutional investors (AMF declaration no. 2018DD541863 of March 16, 2018).

(5) 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 8, 2020.

To the best of the Company's knowledge, as of the date of this Universal Registration Document, there are no agreements between one or more of the Company's shareholders and no shareholders' agreements or agreements 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. The call options entered into with EDF, described in Chapter 4, Section 4.1 (Note 3.4.1 to the consolidated financial statements) and Chapter 8, Section 8.3 below, expired on July 25, 2019.

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

(1) *Figures are taken from the 2019, 2018 and 2017 fiscal years.*

2.3 Dividend policy

2.3.1 DIVIDENDS PAID DURING THE PAST FIVE FISCAL YEARS

(in euros)	2014 Dividend	2015 Dividend	2016 Dividend	2017 Dividend	2018 Dividend
Gross dividend per share	0.70	0.73	0.80	0.84	0.92
Net dividend per share	0.70*	0.73*	0.80*	0.84*	0.92*
TOTAL DIVIDEND DISTRIBUTION**	383,952,678	401,183,799	439,772,185	462,685,249	509,096,391

* *The dividend is eligible for the 40% tax rebate.*
** *Amount paid by the Company.*

A dividend payment of €0.92 per share for each of the Company's outstanding shares carrying dividend rights as of January 1, 2019 was approved by the Combined General Meeting of April 18, 2019. The ex-dividend date was set at May 14, 2019 and the dividend was paid from May 16, 2019. As of December 31, 2018, the share capital comprised 565,593,341 shares, including 12,510,389 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 €1 per share for 2019, payable in cash, will be proposed to the Combined General Meeting of April 22, 2020. The ex-dividend date has been set at May 12, 2020 and the 2019 dividend will be paid from May, 14 2020.

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 2020 on 2019 income. This levy will however not be applied to taxpayers whose reference taxable income for the year before last 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 year

3.1.1 GENERAL CONTEXT

2019 was the final year of the 2016-2019 plan, marked by improved profitable growth founded mainly on organic growth and targeted scope transactions, as well as a rigorous cost savings policy generating over €1 billion in savings, it was also the preparation year for the definition of the new 2020-2023 strategic plan.

During the year, the Group's financial performance saw a steady rise in revenue and EBITDA fueled by the **two key drivers** of our strategy: **organic growth** and **above-target costs savings**.

These elements led to solid growth in results **for the year**:

- revenue up +4.3% at constant exchange rates at €27,189 million, and +3.2% at constant scope and exchange rates:
  - higher organic growth of 3.2% despite the negative impact of the weather (-€68 million), recyclate prices (-€76 million) and a reorientation of construction activities (VWT -7.6%),
  - strong commercial momentum, with higher waste volumes of +1.5% and tariff indexation that remains favorable in water and waste,
- sustained growth outside France and in new businesses:
  - France +2%, Europe excluding France +4.1% [(1)], Rest of the world +8.7% [(1)],
  - double-digit growth in hazardous waste (+14%), which represents €2.5 billion of revenue in 2019,
  - increase in plastic recycling (+26%) to a revenue of €319 million,
- **strong EBITDA growth to €4,022 million**, ahead of targets, up +4.7% and +4.5% at constant exchange rates, tied to:
  - continued growth in Group activities,
  - the impact of cost savings plans (€248 million).

These positive impacts were partially offset by:

- a negative weather impact (-€17 million),
- a price squeeze that remains negative but is reducing thanks to improved tariff indexation (-€85 million compared with -€130 million in December 31, 2018),
- an energy price impact of -€23 million reflecting the gradual pass through of the rise in fuel and CO_2 costs to the price of energy sold,
- and a recyclate price impact of -€30 million, driven by a sharp drop in recycled paper prices which accelerated in the last quarter.

Other financial items are also in growth:

- **current EBIT** up +5.3% (+5.0% at constant exchange rates) to **€1,730 million**;
- **current net income, Group share**, up +13.1% (+13.5% at constant exchange rates) **to €760 million**;
- **net income excluding capital gains**, up +8.8% at constant exchange rates **to €734 million**;
- **net income**, Group share, up +41.8% to **€625 million**;
- **net industrial investments of €2,201 million** (including €362 million of discretionary capex versus €309 million in 2018);
- **strong increase in Free Cash flow to €868 million** thanks to strict industrial investment discipline and tight control over working capital requirements, retaining the investment of €362 million in discretionary capex (+17.1% higher than 2018) for future growth;
- **decrease in financial debt to €10,680 million** (including lease debt of €1,731 million following the application of IFRS 16) with a leverage ratio (Net Debt/EBITDA) of 2.66 (versus 3.01 as of December 31, 2018 re-presented).

(1) At constant exchange rates.

3.1.2 CHANGES IN GROUP STRUCTURE

Commercial Developments And Acquisitions

The strong commercial momentum enjoyed by the Group in 2018 continued, with Veolia signing several major contracts in 2019:

- in the municipal water sector, the Group won the water contract for the city of Nimes in France (8-year contract worth €185 million) and restarted desalination activities in Sydney, Australia (estimated annual revenue of €23 million). In addition, the Group renewed its operating contract for the Wellington wastewater treatment plant, adding several further plants around the New Zealand capital (NZ$170 million contract);
- in the technologies and network sector, Veolia Water Technologies won construction contracts for the Umm Al Quwain, Rabigh 3 and Al Dur desalination plants in the Middle East, while continuing to refocus its business;
- as part of its heat, cold and electricity production activities (local energy loops), the Group acquired two cogeneration plants in Slovakia at the end of 2018, representing revenue of €52 million in 2019. This was followed in 2019 by the acquisition of a company specialized in the production of heat from gas and co-generation in Levice (Slovakia) for €71 million [(1)], representing 2019 revenue of €32 million, of Southa in Hong Kong for €29 million [(1)], representing full-year revenue of €80 million and of Actility in Belgium for €21 million. In addition, on October 17, 2019. In addition, the Group has renewed the concessions for the electricity and gas grids for the city of Braunschweig, Germany, through its subsidiary BS Energy (20-year contract worth €2.6 billion).

Veolia Group also developed its activities in the following sectors in 2019:

- hazardous waste: construction in progress of four incineration furnaces in China and creation in the Global businesses segment of a joint entity with EDF in response to the challenges of decommissioning nuclear reactors that incorporate graphite technology. In addition, on December 20, 2019, the Group announced it had signed an agreement to take over Alcoa USA Corporation's hazardous waste treatment site in Gum Springs, Arkansas (United States), through its subsidiary, Veolia North America, adding to the Group's hazardous waste treatment activities in the region. The transaction has been finalized on January 31, 2020 for a consideration of US$250 million;
- waste recycling:
  - the Group and Nestle signed a global collaboration agreement and concluded a partnership agreement to build and operate a recycling unit for the industrial company Danone Nutricia in the Netherlands,
  - the Group signed a partnership with Reckitt Benckiser to drive the shift to a circular plastics economy,
  - on January 28, 2019, through its subsidiary, Veolia China Holding Ltd, the Group acquired a 66% stake in Huafei in China, for a consideration of €22 million [(1)], a specialist in plastic recycling with four production sites,
  - in France, the city of Bordeaux awarded the Group a public service delegation contract for household waste recovery and processing and similar services in the metropolitan area for a period of 7 years and 10 months, commencing February 20, 2020. Cumulative revenue for this contract is estimated at €405 million. Veolia will operate a fully integrated business comprising three recovery and recycling facilities in order to meet the major challenges facing the Bordeaux Metropolitan area,
  - in the first quarter 2019, the Group acquired Renascimento, a waste processing and recycling company in Portugal, for €39 million [(1)], followed in the third quarter by the acquisition of Gadere in Ecuador, for €15 million [(1)],
- industrial services: signature of a Lithium refining contract in Japan (€66 million contract); signature of energy performance contracts in Colombia (including Coca-Cola Femsa, €29 million contract); signature of an operation and maintenance contract covering all water treatment plants at a mine in Ghana (AngloGold Ashanti contract). In addition, on July 24, 2019, Koweït Integrated Petroleum Industries Company (KIPIC) entrusted the operation and maintenance of the Al Zour refinery wastewater treatment plant to the Group (7-year contract worth US$63 million), with a zero liquid discharge objective.

Divestitures

Energy assets in the United States (TNAI)

As part of the regular review of its asset portfolio and in light of the announcement of its strategic program for 2020-2023, the Group, through its subsidiary Veolia Energy North America Holdings Inc., completed the sale of its heating and cooling networks to Antin Infrastructures Partners on December 30, 2019 for a gross consideration of €1.1 billion, generating a capital gain net of tax and disposal costs of €170 million. The portfolio is composed of steam, hot and chilled water and electricity production plants, including cogeneration, and 13 networks in 10 cities in the US.

Transdev Group

On January 9, 2019, Veolia Environnement closed the sale of its residual 30% stake in Transdev Group to the German Group, Rethmann, for a consideration net of disposal costs of €334 million, generating a capital gain of €33 million and marking the end of its withdrawal from the Transport business.

(1) *Including shares and net financial debt of newly consolidated companies.*

Foshan (China)

As part of its asset rotation policy, the Group sold its entire stake in Foshan (landfill facility) through its subsidiary, Veolia Environmental Services China Ltd, for a consideration of €49 million generating a capital gain of €37 million.

Therefore, the Group performed total financial investments of €619 million and total financial divestitures of €1,490 million through its subsidiaries in 2019.

Positive outcome of the U.S. tax litigation

As a result of 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 USD 4.5 billion (tax base) as of December 31, 2006. Following a long tax audit, the U.S. Internal Revenue Service (IRS) issued a revenue agent's report on November 6, 2018, rejecting the worthless stock deduction and seeking penalties. Veolia filed a detailed protest on December 21, 2018, in which it refuted the merits of the IRS's arguments. The IRS informed Veolia that it will not pursue a challenge of the Worthless Stock Deduction, and provided a revised revenue agent's report reflecting that decision on April 30 2019. At the end of 2019, the Group has a $2.0 billion deficit not recognized (in base) in the US to be used before the end of 2026.

3.1.3 GROUP FINANCING

In 2019, the Group actively managed its debt benefiting from market conditions, including refinancing transactions leading to a reduction in the financing rate.

Change in bonds

On January 14, 2019, Veolia Environnement issued at par a €750 million bond maturing on January 14, 2024 (*i.e.* 5 years) and bearing a coupon of 0.892%. The bonds were placed with a large investor base covering both Europe and Asia. The proceeds from this issue have been used for general corporate purposes, and notably to refinance debt maturities.

On April 24, 2019, Veolia Environnement repaid, at maturity, a euro bond line, in the nominal amount of €462 million.

In relation to the divestitures of heating and cooling networks in the United States, on December 23, 2019, Veolia Environnement redeemed early its U.S. dollar bond line bearing interest at 6.75% and maturing in 2038, in the nominal amount of US$100 million.

Offering of a panda bond

On December 17, 2019, Veolia Environnement successfully issued a bond for a nominal amount of 1.5 billion renminbi (€192 million) on the Chinese domestic market "Panda Bond". This bond issue was performed *via* a private placement, and bears interest of 3.70% for a 1 year maturity. It was issued to Chinese and international investors. The proceeds of this bond will be used to finance various Group projects in continental China. The conditions obtained and the over-subscription rate of 1.7x show that Veolia's signature is viewed very favorably and demonstrated investor confidence in the Group's development in China.

OCEANE bond issue

On September 12, 2019, Veolia Environnement placed approximately 700 million of bonds for new and/or existing shares ("OCEANE") and simultaneously redeemed existing bonds maturing on March 15, 2021, by way of a reverse bookbuilding process.

These bonds will not bear interest and were issued at 103.25% of their principal amount, corresponding to an annual gross yield at maturity of -0.60%. The nominal unit value of the bonds is €30.41, corresponding to a premium of 35% above the Company's reference share price on the issue day on the Euronext Paris regulated market.

Confirmation of the credit outlook

In February, 2020, Moody's confirmed Veolia Environnement's credit rating at P-2/Baa1 with a stable outlook.

At the end of January 2019, S&P confirmed Veolia Environnement's credit rating at A-2 / BBB with a stable outlook.

Dividend payment

The Combined General Meeting of April 18, 2019 of Veolia Environnement set the dividend at €0.92 per share with respect to fiscal year 2018, an increase of +10% on 2017. The dividend was paid from May 16, 2019 for a total amount of €509 million.

Implementation of a new liquidity contract

Veolia Environnement and Rothschild & Cie Banque terminated the liquidity contract taking effect on September 30, 2014. On May 28, 2019, Veolia Environnement entered into a new liquidity contract with Kepler Chevreux, effective June 1, 2019 and for an initial period expiring on December 31, 2019 tacitly renewable thereafter for periods of one year. This contract complies with the prevailing legal framework.

3.1.4 EMPLOYEE CONTRIBUTION TO GROUP PERFORMANCE

At the Veolia Environnement Combined General Meeting of April 18, 2019, Veolia confirmed its desire to give employees a vested interest in the Group's development and performance by launching a new employee share ownership plan in 30 countries, open to approximately one hundred and fourteen thousand Group employees. The overall subscription rate exceeded 32%, resulting in a €7 million share capital increase (*i.e.* 1,440,918 new shares issued).

In addition, in accordance with the Group's compensation policy and the authorization granted by the Combined General Meeting, the Board of Directors decided on April 30, 2019, at the recommendation of its Compensation Committee, to grant performance shares to approximately 450 beneficiaries, including top executives and high potential employees of the Group (representing up to 0.04% of the share capital). The vesting of these shares is subject to presence and performance conditions, as set out in Section 6.2.2.2, of the 2019 Universal Registration Document.

3.1.5 VEOLIA'S PURPOSE

At the Veolia Environnement Combined General Meeting of April 18, 2019, the Group announced it had given itself a Purpose. The result of 160 years of history, Veolia's Purpose is in line with its "Resourcing the World" mission statement and contributes to human progress by firmly committing to the Sustainable Development Goals set by the UN to achieve a better and more sustainable future for all. It states the fundamental way in which Veolia will act and is both the direction in which the Group is heading and a means to give its actions a firmer long-term foundation. Drawn up in consultation with its various stakeholders and approved by the Board of Directors, the Purpose articulates why Veolia exists and what it does and how, for the benefit of all its stakeholders (employees, customers, suppliers, shareholders, partners or the regions where it operates).

The Group will report annually on its multi-dimensional performance through a dashboard that aggregates relevant indicators on the sustainability of its model. These indicators are used to assess economic and financial performance, environmental performance, social performance and performance in terms of customer satisfaction, ethics and compliance.

3.2 Accounting and financial information

3.2.1 PREAMBLE

Change in lease standard

The Group applies the new lease standard, IFRS 16, from January 1, 2019. The standard is applied using the full retrospective method (recalculation of the asset and the debt as if the standard had been applied from inception of the lease).

The adjustments in the income statement resulting from the application of this standard are significant, with an increase in EBITDA due to the cancellation of the lease expense, offset by an increase in depreciation in current EBIT and in interest.

The application of IFRS 16 lease standard carries a dilutive effect on the after tax ROCE as well as the EFN/ EBITDA ratio (infra).

(in € million)	Dec 2018 proforma excl. IFRS 16	Impact IFRS 16	Dec 2018 incl. IFRS 16	Dec 2018 proforma excl. IFRS 16	Impact IFRS 16	**Dec 2019 incl. IFRS 16**
Revenue	**25,951**	**0**	**25,951**	**27,189**	**0**	**27,189**
EBITDA	**3,395**	**448**	**3,843**	**3,537**	**485**	**4,022**
Current EBIT	**1,600**	**44**	**1,644**	**1,685**	**45**	**1,730**
Net income – Group share	**439**	**1**	**441**	**616**	**9**	**625**
Gross CAPEX	(1,812)	(456)	(2,268)	(1,966)	(398)	(2,364)
Divestures	60	19	79	99	64	163
Net CAPEX [(1)]	(1,753)	(437)	(2,189)	(1,868)	(334)	(2,201)
Interests on IFRS 16 lease liabilities	0	(45)	(45)	0	(41)	(41)
Free Cash Flow	569	(33)	536	755	113	868
Net financial debt	**9,748**	**1,816**	**11,564**	**8,949**	**1,731**	**10,680**
EFN ratio	**2.87**		**3.01**	**2.53**		**2.66**
After tax ROCE	**8.8%**		**8.2%**	**9.0%**		**8.4%**

(1) IFRS 16 net capex represents future lease payments (discounted) of new contracts signed during the period.

Gabon

On February 18, 2019, Gabon and Veolia Africa signed a settlement agreement providing for the transfer of 51% of SEEG shares held by Veolia Africa to the Société de Patrimoine du Service public de l'eau potable, de l'énergie électrique et de l'assainissement, a company owned by Gabon, for a price of €45 million. Subject to the fulfillment of conditions precedent and the signature of the protocol by SEEG, Gabon and the Group shall request the discontinuance of the pending proceeding before the ICSID and shall mutually and definitively release all claims and actions arising from the concession agreement terminated by Gabon.

On March 29, 2019, the ICSID noted the end of the arbitration proceeding between the Group and Gabon, enabling the implementation of the settlement agreement.

As of December 31, 2019, the Group recognized all compensation received in 2019 in net income from discontinued operations.

Lithuania

Activities in Lithuania were recorded in discontinued operations (Vilnius contract) and activities held for sale (Litesko contract) as of December 31, 2018. Recent discussions during the first quarter of 2019 were unable to agree to a process for the divestiture of these Group activities. Accordingly, the Litesko assets and liabilities and the Vilnius and Litesko income statements were transferred to continuing operations as of December 31, 2019. The financial statements for the year ended December 31, 2018 were re-presented as a result of this reclassification to ensure comparability.

Discontinuation of EPC activities

Faced with the erosion of margins and the slowdown in its EPC (Engineering, Procurement and Construction) business, Veolia Water Technologies (VWT) had been reflecting on its activities for several years, leading it to reorient its development strategy in the areas of Technologies and Services and thus reduce its exposure to the "historic" construction business.

At the beginning of 2019, VWT has decided to accelerate its transformation by discontinuing the EPC activity in all geographies in aid of so-called EP contracts (Engineering/Design and Procurement excluding civil engineering or electrical and mechanical assembly).

In practice, the discontinuation of this EPC activity required a long process of detailed review of the terms and conditions of the exit from each of the existing contracts (including the assessment of completion guarantees) in order to best manage the end of the activities and minimize the Group's financial exposure. To this end, a specific Business Unit was created with its own management and resources. The contract review process was finalized in the last quarter of 2019.

Given the characteristics of this EPC exit plan, the Group considered the specific BU as meeting the criteria of IFRS 5 on discontinued operations and recognized a result of -€145.2 million presented on the line "income from discontinued operations". EPC 2018 results being non-significant with respect to continuing activities, the income statement has not been represented to ensure comparability.

3.2.2 KEY FIGURES

(in € million)	Year ended December 31, 2018 published	Year ended December 31, 2018 re-presente (1)	Year ended December 31, 2019	Change 2018/2019 Δ	Δ at constant exchange rates	Δ at constant scope and exchange rates
Revenue	**25,911.1**	**25,951.1**	**27,188.7**	**4.8%**	**4.3%**	**3.2%**
EBITDA	**3,392.0**	**3,842.9**	**4,021.8**	**4.7%**	**4.5%**	**4.8%**
EBITDA margin	13.1%	14.8%	14.8%			
Current EBIT (2)	**1,604.0**	**1,643.7**	**1,730.4**	**5.3%**	**5.0%**	**8.9%**
Current net income – Group share	674.9	672.0	759.8	13.1%	13.5%	
Net income (loss) – Group share	**439.3**	**440.6**	**624.9**	**41.8%**		
Current net income – Group share, per share (Basic) (2)	1.22	1.22	1.37			
Current net income – Group share, per share (Diluted) (2)	1.17	1.17	1.31			
Industrial investments	(1,811)	(2,268)	(2,364)			
Net free cash flow (3)	568	536	868			
Net financial debt (incl. Hybrid debt and IFRS 16 lease debt)	**(9,749)**	**(11,564)**	**(10,680)**			
Debt ratio	2.87x	3.01x	2.66x			

(1) The restatements at December 31, 2018 relate to the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.
(2) Including the share of current net income of joint ventures and associates viewed as core Company activities.
(3) The indicators are defined in Section 3.10.3.

The main foreign exchange impacts were as follows:

FX impacts for the year ended December 31, 2019 (vs December 31, 2018 re-presented)	%	*(in € million)*
Revenue	0.5%	122
EBITDA	0.2%	6
Current EBIT	0.3%	5
Current net income	(0.3)%	(3)
Net financial debt	(0.6)%	(64)

Group consolidated revenue

By segment, the change in revenue compared with re-presented figures for the year ended December 31, 2018 breaks down as follows:

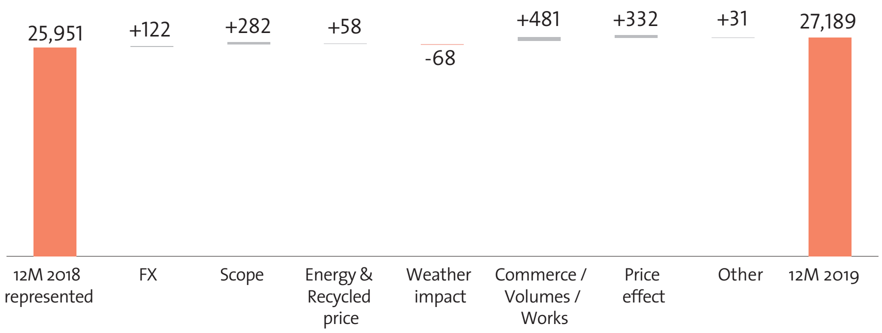
(in € million)	Year ended December 31, 2018 re-presented	Year ended December 31, 2019	Change 2018/2019 Δ	Δ at constant exchange rates	Δ at constant scope and exchange rates
France	5,499.3	5,611.5	2.0%	2.0%	1.8%
Europe excluding France	9,136.1	9,501.1	4.0%	4.1%	3.4%
Rest of the world	6,619.7	7,303.5	10.3%	8.7%	5.8%
Global businesses	4,665.5	4,733.8	1.5%	0.9%	0.8%
Other	30.7	38.8	26.4%	26.4%	26.1%
GROUP	25,951.3	27,188.7	4.8%	4.3%	3.2%

- Revenue increased +2.0% in **France** at constant exchange rates compared with re-presented figures for the year ended December 31, 2018: Water revenue improved +2.1%, while Waste revenue increased +2.0% at constant exchange rates:
  - Water revenue increased +2.1% versus 2018 re-presented, driven by a +0.7% increase in volumes (-0.7% in 2018), higher tariff indexation (+1.4% in 2019 compared with +0.7% in 2018) and a rise in construction activity,
  - Waste revenue increased +2.0% at constant exchange rates compared with re-presented figures for the year ended December 31, 2018: lower recycled paper prices (-€32 million) were offset by increased construction activities and commercial momentum;
- **Europe excluding France** grew +4.1% at constant exchange rates compared with re-presented figures for the year ended December 31, 2018, with solid momentum in the majority of regions:
  - in the United Kingdom / Ireland, revenue increased +4.0% at constant exchange rates to €2,297.7 million, thanks to increased waste volumes (+1.6%) and continued good commercial momentum. A good PFI availability rate (93.8% in 2019 compared to 94.6% in 2018), as well as a good performance of the toxic waste, plastics recycling and storage activity can be observed in the region,
  - in Central and Eastern Europe, revenue increased +4.5% at constant exchange rates compared with re-presented figures for the year ended December 31, 2018 to €3,296.4 million and 8.6% at constant exchange rates adjusted for contractual changes in water in the Czech Republic (SCVK). Despite an unfavorable weather impact (-€29 million), it was offset by:
    - in Energy: higher tariffs (+€107 million),
    - in Water: an increase in invoiced water volumes (+3.6%), higher tariffs in most countries of the zone and increasing Construction activities in Hungary and Romania;
  - in Northern Europe, revenue increased +1.1% at constant exchange rates compared with the re-presented prior-year period to €2,737.8 million. In Benelux, growth is primarily fueled by the contribution of new acquisitions in industrial services and plastic recycling. Germany, the main contributor (€1,879 million), reported revenue growth of +1.1%: higher tariffs offsetting the slump in the price of paper but energy revenue nonetheless slipped, penalized by the weather impact (-€19.5 million),
- strong growth in the **Rest of the world** of 8.7% at constant exchange rates compared with re-presented figures for the year ended December 31, 2018:
  - revenue in Asia increased by +16.2% at constant exchange rates, mainly due to continued strong growth in China, Hong-Kong and Taiwan, where revenue increased +25.5% at constant exchange rates to €1,215 million, driven:
    - in Hong-Kong, by the integration of Southa's activities (energy services for buildings, +€53 million) and the construction of an extension at the Greenvalley site (+€43 million),
    - in China, by good Waste performances (hazardous waste incineration, plastic recycling with the integration of Huafei's industrial facilities), offsetting the impact of landfill divestitures; in Energy, by higher heating sales tied to the extension of the Harbin network and acquisitions in 2018 and 2019 (notably Das Linkin, Binzhou and Kedong Heating), as well as good performances in industrial water,
    - in Taiwan, by the acquisition of Apollo (soil remediation, +€16 million);
  - Japan (+9%) reported strong organic growth in municipal water activities (+€24 million) and numerous industrial developments (start-up of the Lithium project, +€15 million),

- revenue increased +1.2% at constant exchange rates to €2,168 million in North America. Robust hazardous waste performance linked to good processing tool availability (90%, compared with 87% in 2018), increased volumes and higher prices offset lower energy revenue, which was penalized by very mild weather early and late in the year,
- the Pacific zone recorded +7.9% growth at constant exchange rates for the year ended December 31, 2019, boosted by higher waste collection volumes and the restart of the Sydney water treatment plant,
- strong growth in Latin America (+16.0% at constant exchange rates), primarily driven by price increases in Argentina (tied to inflation) and the acquisition of Grupo Sala in Colombia, consolidated from May 1, 2018 (impact of €42 million); the fall in revenue tied to the end of certain Water contracts in Argentina and Colombia and Waste contracts in Mexico, was offset by favorable volume impacts in Brazil (Waste) and Ecuador (Water) and contract wins in Chile and Peru,
- in Africa /Middle East, revenue increased +5.5% at constant exchange rates, thanks to commercial development in the Middle East in energy services and higher sales volumes in Morocco, with price increases offsetting the fall in construction activity.

- **Global businesses:** revenue increased +0.9% at constant exchange rates versus the re-presented prior-year period:
  - hazardous waste reported strong revenue growth in Europe of +4.6% at constant exchange rates, thanks to higher incinerator prices (+5%) and increased volumes processed (+2.8%),
  - Veolia Water Technologies revenue slumped -7.6% at constant exchange rates on 2018, following the restructuring of its activities. Veolia Water Technologies bookings increased +25% in 2019 (€2,149 million) compared with December 31, 2018 (€1,721 million), thanks to desalination facility projects in the Middle East (Umm Al Quwain, Rabig and Al Durr). Sade reported a +7.1% increase at constant exchange rates, with good performance in Construction in France and in Telecoms (roll-out of fiber optics by the main operators) and ongoing measures to refocus its international activities.

The increase in revenue between 2018 and 2019 breaks down **by main impact as follows**:



The **foreign exchange impact** on revenue was +€122 million (0.5% of revenue) and mainly reflects fluctuations in the U.S. dollar (+€127 million), the Japanese yen (+€35 million), the Moroccan dirham (+€20 million), the pound sterling (+€19 million), the Argentine peso (-€78 million) and the Australian dollar (-€20 million).

The **consolidation scope impact** of €282 million mainly reflects:

- operations in 2018: integration of Grupo Sala in Colombia (+€42 million), HCI in Belgium (+€37 million), PPC industrial assets in Slovakia (+€31 million) and three cogeneration plants in Hungary (+€22 million) and the divestiture of the Industrial Services Division in the United States in February 2018 (-€11 million) and the divestiture of ScVK in the Czech Republic and consolidation of SCS in the context of this new water contract (-€130 million, net);
- 2019 transactions, including the acquisition of Southa in Hong Kong (+€53 million), Huafei in China (+€50 million), Levice in Slovakia (+€35 million), Renascimento in Portugal (+€23 million) and Apollo in Taiwan (+€16 million).

Energy and recyclate prices had an impact of +€58 million, following an increase in energy prices +€134 million (mainly in Northern Europe and Central and Eastern Europe) offset by a fall in recyclate prices (total recycled material impact of -€76 million; impact of -€67 million for paper, -€13 million for metals and +€21 million for plastic).

Commercial momentum improved significantly **(Commerce/ Volumes impact)** to +€481 million, with in particular:

- higher volumes (+€269 million) in line with growth in waste volumes (France, United Kingdom, North America, Pacific) and energy volumes in Asia (heating network extension). In Water, higher volumes (+0.6%), particularly in the Pacific region (restart of the Sydney plant) and Morocco (2.5%), were offset by reduced volumes in Northern Europe (-4.8%);
- a commercial effect of +€111 million, with numerous contract wins in water in Asia (including China in industrial water and industrial energy and Japan in municipal water), in waste in North America (hazardous waste) and in energy in Italy, the Iberian peninsula and the Middle East;
- a contribution from construction activities of +€101 million, with increased construction work on treatment facilities in France (water and waste), Central and Eastern Europe and Asia, offsetting reduced construction activities in VWT;
- a negative weather impact of -€68 million in Northern Europe, Central Europe and North America.

Favorable **price effects** (+€332 million) are tied to positive tariff indexation in water in France and Central and Eastern Europe and in waste in France, the United Kingdom, Northern Europe and Latin America.

Group consolidated revenue for the year ended December 31, 2019 was €27,188.7 million, compared with re-presented €25,951.3 million for the same period in 2018, **up +4.3% at constant exchange rates and organic growth of +3.2%**. Excluding Construction revenue [(1)] and energy price effects, revenue improved by +3.4% (+2.1% in the fourth quarter, +3.7% in the third quarter, +4.4% in the second quarter and +3.6% in the first quarter).

By trimester, the change in revenue breaks down as follows:

Change at constant exchange rates	Q1 2019	Q2 2019	Q3 2019	Q4 2019
France	2.8%	5.0%	0.5%	0.1%
Europe excluding France	4.7%	7.2%	4.1%	1.1%
Rest of the world	6.6%	9.0%	9.0%	10.1%
Global businesses	4.7%	2.6%	-0.2%	-2.6%
GROUP	4.8%	6.3%	3.8%	2.6%

Revenue is growing in the fourth quarter at +2.6% at constant exchange rates, with organic growth of +1.7%. A good fourth quarter for Water France especially with a 0.7% increase in volumes and a 1.4% increase in prices, the slowdown in growth in France was therefore due to the Waste business with a continued decline in the price of recycled materials. In Europe excluding France, the United Kingdom and Southern Europe maintained good dynamism, while Central and Eastern Europe experienced more moderate growth due to an unfavorable climate effect in the Energy business. In Northern Europe, we note the negative effect of the mild climate and the fall in paper prices. It remained robust in the Rest of the world segment (+10% notably in Asia and the Pacific, with growth rates of +24.9% and +14.5% at constant exchange rate, respectively). The slowdown in the Global businesses segment was due to the fall in Construction activities, despite continued strong growth in hazardous waste.

(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.

EBITDA

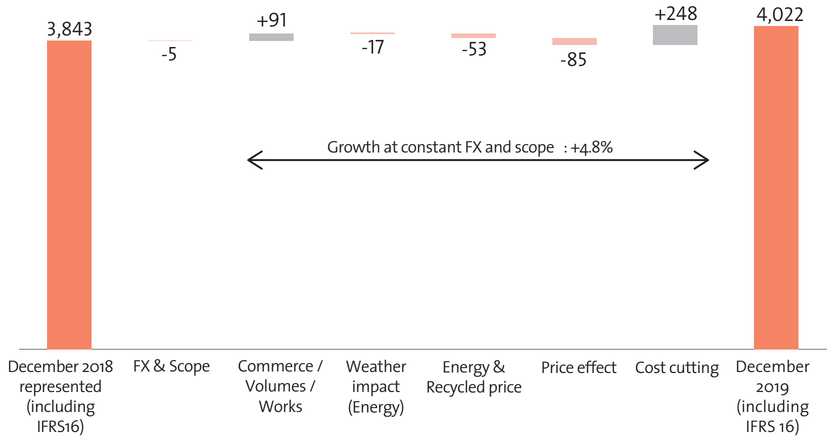
Group consolidated EBITDA for the year ended December 31, 2019 was €4,021.8 million, up +4.5% at constant exchange rates compared with re-presented figures for the prior year. The margin rate is stable at 14.8% in December 2019.

EBITDA breaks down by segment as follows:

(in € million)	As of December 31, 2018 re-presented	As of December 31, 2019	Change 2018/2019 Δ	Change 2018/2019 Δ at constant exchange rates
France	**899.5**	**899.7**	**0.0%**	**0.0%**
EBITDA margin	*16.4%*	*16.0%*		
Europe excluding France	**1,471.8**	**1,501.2**	**2.0%**	**2.1%**
EBITDA margin	*16.1%*	*15.8%*		
Rest of the world	**1,062.4**	**1,160.5**	**9.2%**	**8.2%**
EBITDA margin	*16.0%*	*15.9%*		
Global businesses	**360.9**	**396.2**	**9.8%**	**10.6%**
EBITDA margin	*7.7%*	*8.4%*		
Other	**48.3**	**64.2**		
Group	3,842.9	4,021.8	4.7%	4.5%
EBITDA MARGIN	14.8%	14.8%		

- **In France**, EBITDA is stable:
  - in Water, a good increase in EBITDA out-pacing revenue growth, thanks to favorable volume effects and increased efficiency gains and in particular the full year impact of the departure plan launched last year, which offset the price squeeze,
  - in Waste, EBITDA declined following a further decrease in recycled paper prices (-19% fall in the average selling price of recycled paper and cardboard), and due to additional insurance and maintenance costs, only partially offset by higher prices in industrial waste collection;
- EBITDA growth in **Europe excluding France** as the result of several impacts:
  - in Central and Eastern Europe, higher EBITDA (excluding the impact of ScvK contractual changes) driven by price rises and performance measures,
  - excellent operational performance and commercial won in the United Kingdom,
  - increased EBITDA in Northern Europe tied to further small scope transactions in Waste, strong waste activities in Germany and additional operating efficiency gains, partially offset by operating difficulties in the Netherlands (fire in a recycling plant);
- Strong EBITDA growth in the **Rest of the world**:
  - lower EBITDA in North America, mainly due to a reduction in Energy prices compared with an unusually cold winter in 2018 partially offset by an increase in toxic activities (in volume and prices),
  - increased EBITDA in Latin America, mainly thanks to the addition in Waste of Grupo Sala in Colombia (consolidated from May 1, 2018) and Gadere in Ecuador and tariff increases in Argentina and Colombia,
  - strong EBITDA growth in Asia driven by robust revenue growth, particularly in China, fueled by the ramp-up of hazardous waste processing facilities, the good performance of Energy and industrial water activities and the acquisition of hazardous waste activities in India,
  - growth in Australia, which benefited from the restart of the sewage treatment plant in Sydney;
- In the **Global businesses** segment, good improvement in EBITDA:
  - continued excellent hazardous waste performance in Europe,
  - improved Sade profitability, due to operating efficiency gains and an improved margin in construction in France and in Telecoms and the recovery of international activities.

The increase in EBITDA between 2018 and 2019 breaks down **by impact** as follows:



The foreign exchange impact on EBITDA was +€6 million and mainly reflects fluctuations in the U.S. dollar (+€14 million), the pound sterling (+€3 million), the Moroccan dirham (+€2 million), the Argentine peso (-€11 million) and the Australian dollar (-€3 million).

The **consolidation scope impact** of -€12 million mainly relates to developments in 2019 and notably the integration of Levice industrial assets, Renascimento in Portugal, Southa in Hong Kong and Apollo industrial assets in Taiwan, as well as 2018 acquisitions in Colombia (Grupo Sala), Belgium (HCI), Slovakia (PPC) and Hungary (cogeneration plants) and the disposal of ScvK (-€71 million) in Czech Republic offset by integration of SCS in the field of the new water contract.

Favorable **commerce and volume** impacts totaled +€91 million, thanks to strong commercial momentum across all activities.

The **weather (energy)** impact on EBITDA of -€17 million (-€29 million in 2018) deteriorated in the fourth quarter of the year, notably due to an extremely negative impact in Central and Eastern Europe.

Energy and recyclate prices had an unfavorable impact on EBITDA: -€53 million (compared to -€69 million in 2018), including -€23 million in Energy, with a gradual pass through of fuel and CO_2 costs into the price of energy sold, and -€30 million in Waste (against -€16 million in 2018), with recycled paper prices still falling in Europe.

The **price squeeze** had an impact of -€85 million, an improvement on 2018 (-€130 million), thanks to higher tariff indexation in Water and Waste.

Cost-savings plans contributed +€248 million, ahead of the €220 million annual objective. These savings mainly concern operating efficiency (57%) and purchasing (29%) and were achieved across all geographic zones: France (28%), Europe excluding France (30%), Rest of the world (29%), Global businesses (11%) and Corporate (2%).

Cost savings

EBITDA impact *(in € million)*	2019 objective	Actual Dec. 2019
Gross cost savings	Over 220	248

Current EBIT

Group consolidated current EBIT for the year ended December 31, 2019 was €1,730.4 million, up 5.0% at constant exchange rates on the prior-year period (re-presented).

EBITDA reconciles with current EBIT for the years ended December 31, 2019 and December 31, 2018 as follows:

(in € million)	Year ended December 31, 2018 re-presented	Year ended December 31, 2019
EBITDA	**3,842.9**	**4,021.8**
Renewal expenses	(279.8)	(280.3)
Depreciation and amortization*	(2,116.9)	(2,192.7)
Provisions, fair value adjustments & other	81.9	51.8
Share of current net income of joint ventures and associates	115.6	129.8
Current EBIT	**1,643.7**	**1,730.4**

* *Including principal payments on operating financial assets (OFA).*

The improvement in current EBIT at constant exchange rates reflects:

- EBITDA growth;
- depreciation and amortization of €2,057 million, up +3.5% at constant exchange rates, mainly due to small acquisitions performed;
- increased contribution of equity-accounted entities, particularly in Asia (China +21% at constant exchange rates) and Northern Europe (start-up of the Kilpilahti plant in Finland).

The foreign exchange impact on current EBIT was +€5 million and mainly reflects fluctuations in the U.S. dollar (+€8 million), the Chinese renminbi (+€2 million), and the pound sterling (+€2 million), partially offset by unfavorable fluctuations in the Argentine peso (-€7 million).

Current EBIT breaks down by segment as follows:

(in € million)	Year ended December 31, 2018 re-presented	Year ended December 31, 2019	Change 2018/2019 Δ	Change 2018/2019 Δ at constant exchange rates
France	121.4	164.9	35.8%	35.8%
Europe excluding France	736.0	694.2	-5.7%	-5.5%
Rest of the world	638.0	695.8	9.1%	7.7%
Global businesses	151.6	193.5	27.6%	29.4%
Other	(3.3)	(18.0)	N/A	N/A
GROUP	1,643.7	1,730.4	5.3%	5.0%

Current Net financial expense

(in € million)	Year ended December 31, 2018 re-presented	Year ended December 31, 2019
Cost of net financial debt (1)	(413.9)	(440.5)
Net gains / losses on loans and receivables	14.0	13.1
Net income (loss) on available-for-sale assets	4.6	3.4
Assets and liabilities at fair value through profit or loss	(0.1)	0.3
Foreign exchange gains and losses	(10.6)	(4.4)
Unwinding of the discount on provisions	(30.4)	(31.3)
Interest on concession liabilities	(94.2)	(81.3)
Interest on lease debt (IFRS 16)	(45.5)	(40.8)
Other	(33.5)	(38.0)
Other current financial income and expenses (2)	(195.7)	(179.0)
Gains (losses) on financial divestitures*	3.6	23.9
CURRENT NET FINANCIAL EXPENSE (1)+(2)	(606.0)	(595.8)

* *Including financial divestiture costs.*

Cost of net financial debt

The cost of net financial debt excluding IFRS 16 interests totaled -€440.5 million for the year ended December 31, 2019, compared with re-presented -€413.9 million for the year ended December 31, 2018. This increase is mainly attributable to the higher cost of non-euro denominated debt due to the widening difference between euro/non-euro rates (-€19 million) and higher debt volumes (-€8 million), as well as the management of the euro bond debt (-€6 million), partially offset by the active management of the investment portfolio (+€7 million).

The financing rate excluding IFRS 16 impact is therefore 4.19% as of December 31, 2019, compared with 4.18% as of December 31, 2018 re-presented, despite a fall in the financing rate for euro bond lines to 2.49% from 2.65% as of December 31, 2018.

Other financial income and expenses

Other financial income and expenses totaled -€179.0 million for the year ended December 31, 2019, compared with re-presented -€195.7 million for the year ended December 31, 2018.

These expenses include interest on concession liabilities (IFRIC 12) of -€81.3 million, the unwinding of discounts on provisions of -€31.3 million and interests on lease debts (IFRS16) of -€40.8 million.

Current income tax expense

The current income tax expense is -€227.6 million in 2019, compared with -€203.6 million in 2018 re-presented.

The current tax rate is 22.6% (versus 22.1% in 2018 re-presented[(1)]) after adjustment for non-recurring items within net income of fully-controlled entities.

(in € million)	Year ended December 31, 2018 re-presented	Year ended December 31, 2019
Current income before tax (a)	**1,037.7**	**1,134.7**
Of which share of net income of joint ventures & associates (b)	115.6	129.8
Re-presented current income before tax: (c) = (a)-(b)	**922.1**	**1,004.9**
Re-presented tax expense (d)	**(203.6)**	**(227.6)**
RE-PRESENTED TAX RATE ON CURRENT INCOME (D)/(C)	22.1%	22.6%

(1) Published 2018 income tax rate of 22.1%.

Current net income

Current net income attributable to owners of the Company was €760 million for the year ended December 31, 2019, compared with re-presented €672 million for the year ended December 31, 2018. Excluding capital gains and losses on financial divestitures net of tax and minority interests, current net income attributable to owners of the Company rose +8.8% at constant exchange rates to €734.2 million, from €676.5 million for the year ended December 31, 2018 re-presented.

Financing

Net free cash flow is €868.4 million for the year ended December 31, 2019, compared with €536.4 million for the year ended December 31, 2018 re-presented.

The change in net free cash flow compared with the re-presented figure for the year ended December 31, 2018 reflects:

- improved EBITDA;
- higher net industrial investments, up +0.5% to €2,201 million and including:
  - maintenance investments of €1,273 million (5% of revenue), these investments include €400 million as a right of use under IFRS16,
  - growth investments in the current portfolio of €729 million (€706 million in 2018 re-presented),
  - an increase in discretionary investments to €362 million, up +€53 million on 2018 in line with strong growth in development projects in Asia,
- a further reduction in operating WCR of -€209 million (despite higher revenue), following a decrease of -€60 million in 2018;
- a -€155 million decrease in other restructuring and non-current expenses, mainly tied to redundancy costs in France Water in 2018.

Overall, **net financial debt** is €10,680 million, compared with €11,564 million as of December 31, 2018 re-presented (including the redemption of the hybrid debt in April 2018 in the amount of €1,452 million).

In addition to the change in net free cash flow, net financial debt includes financial investments of €619 million (including acquisition costs and the net financial debt of new entities) and mainly the impact of the acquisition of Levice in Slovakia (€71 million), Renascimento in Portugal (€39 million), Huafei in China (€28 million), Southa in Hong-Kong, R&E in Korea (€29 million each) and Stericycle in Chile (€30 million) and the financial divestiture of energy assets in the United States for US$1.25 billion.

Net financial debt was also impacted by negative exchange rate fluctuations of -€64 million as of December 31, 2019 compared with December 31, 2018.

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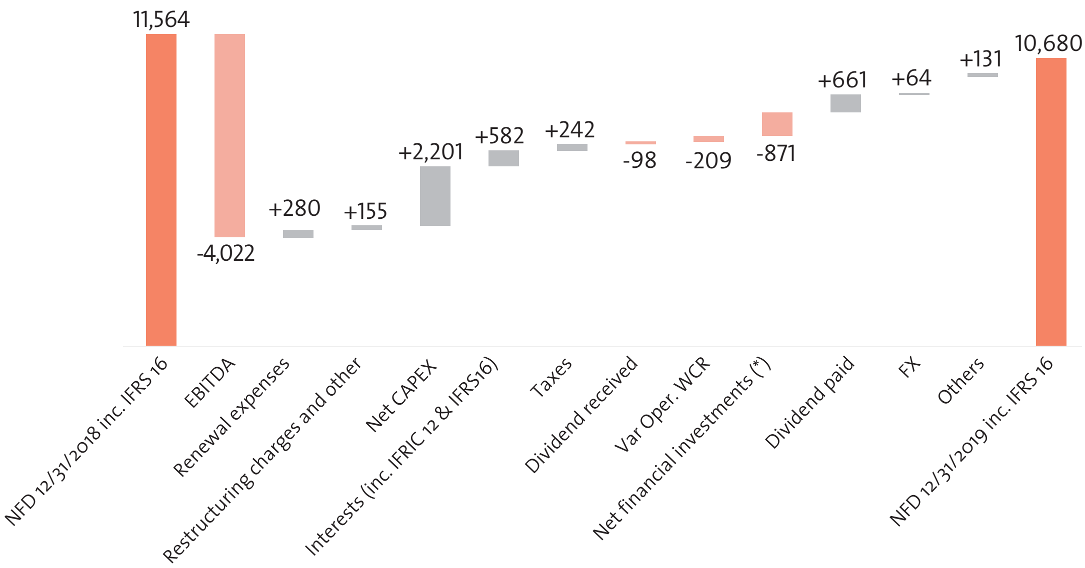

* *Net amount: €871 million (Financial investments: -€619 million; Financial divestitures: +€1,490 million).*

3.2.3 REVENUE BY BUSINESS

(in € million)	Year ended December 31, 2018 re-presented	Year ended December 31, 2019	Change 2018/2019 Δ	Δ at constant exchange rates	Δ at constant scope and exchange rates
Water	10,894.1	11,142.1	2.3%	1.3%	2.2%
Of which Water operations	8,053.3	8,319.7	3.3%	2.2%	3.4%
Of which Technology and Construction	2,840.8	2,822.4	(0.6%)	(1.2%)	(1.2%)
Waste	9,598.6	10,166.7	5.9%	5.9%	3.7%
Energy	5,458.6	5,879.9	7.7%	7.5%	4.3%
GROUP	25,951.3	27,188.7	4.8%	4.3%	3.2%

Water

Water operations revenue increased by +2.2% at constant exchange rates and +3.4% at constant scope and exchange rates compared with re-presented figures for the year ended December 31, 2018. This change reflects:

- a positive commerce / volume impact of +0.7%, due to commercial momentum in the Rest of the world (primarily in Asia) and higher volumes in France (+0.7%), the Pacific region (Sydney plant) and Africa/Middle East (Morocco);
- a positive price impact of +0.9% with higher tariffs notably in Central Europe, Latin America and Africa/Middle East (Morocco), as well as better tariff indexation in France (+1.4% compared with +0.7% in 2018).

Construction and technology revenue decreased by -1.2% at constant exchange rates compared with re-presented figures for the year ended December 31, 2018. This decrease is explained by:

- VWT: Revenue amounts to €1,501M, -7.6% at constant FX;
- SADE: Revenue amounts to €1,322M, +7.1% at constant FX, explained by a good level of activity in France in works and in telecom services.

Waste

Waste revenue rose +5.9% at constant exchange rates compared with re-presented figures for the year ended December 31, 2018 (+3.7% at constant consolidation scope and exchange rates) due to:

- a scope impact of +2.2%, due to acquisitions in Northern Europe, Asia (China) and Latin America (Colombia and Ecuador);
- a commerce / volume impact of +1.5%, with higher volumes processed, notably in the United Kingdom, Germany, North America and Australia, and strong growth in hazardous waste volumes processed (+4.9%), as well as a high contract renewal rate;
- a positive price effect of +2.4% (mainly in France, the United Kingdom, Germany, North America and Latin America and in hazardous waste);
- the negative impact (-€76 million) of recyclate prices, with the fall in paper prices in Europe partially offset by higher plastic prices.

Energy

Energy revenue rose +7.5% at constant exchange rates compared with re-presented figures for the year ended December 31, 2018 (+4.3% at constant consolidation scope and exchange rates). This improvement is explained by:

- a positive price effect (+1.6%), with a strong increase in heating and electricity prices, mainly in Central Europe;
- higher energy volumes and in particular new energy efficiency contracts in Southern Europe, the United States and China;
- a slightly negative weather impact (-0.9%), in Central and Eastern Europe and the United States.

3.2.4 OTHER INCOME STATEMENT ITEMS

Selling, general and administrative expenses

Selling, general and administrative expenses impacting current EBIT increased from €2,759 million for the year ended December 31, 2018 re-presented to €2,769 million for the year ended December 31, 2019, representing a rise of +0.4% at current consolidation scope and exchange rates (-0.3% at constant exchange rates). The ratio of selling, general and administrative expenses to revenue dropped from re-presented 10.6% for the year ended December 31, 2018 to 10.2% for the year ended December 31, 2019. This decline reflects the continuation of the cost savings plan and its consequences on the cost structure of the Group.

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

The share of net income attributable to non-controlling interests totaled €135.7 million for the year ended December 31, 2019 compared with re-presented €167.3 million for the year ended December 31, 2018.

Net income attributable to owners of the Company was €625 million for the year ended December 31, 2019, compared with re-presented €441 million for the year ended December 31, 2018.

Current net income attributable to owners of the Company was €760 million for the year ended December 31, 2019, compared with re-presented €672 million for the year ended December 31, 2018.

Based on a weighted average number of outstanding shares of 553.4 million (basic), and 578.5 million (diluted) for the year ended December 31, 2019, compared with 551.1 million (basic) and 575.9 million (diluted) for the year ended December 31, 2018 re-presented, net income attributable to owners of the Company per share for the year ended December 31, 2019 was €1.12 (basic) and €1.07 (diluted) compared with re-presented €0.68 (basic) and €0.65 (diluted) for the year ended December 31, 2018. Current net income attributable to owners of the Company per share was €1.37 (basic) and €1.31 (diluted) for the year ended December 31, 2019, compared with re-presented €1.22 (basic) and €1.17 (diluted) for the year ended December 31, 2018.

The dilutive effect taken into account in the above earnings per share calculations concerns the OCEANE bonds convertible into and/or exchangeable for new and/or existing shares issued in September 2019 and maturing on January 1, 2025 and the free share and performance share grant plans set-up on July 1, 2019 and July 24, 2019 and maturing in May 2021 and April 2022, respectively.

Net income (loss) attributable to owners of the Company for the year ended **December 31, 2019** breaks down as follows:

(in € million)	Current	Non-Current	Total
EBIT	1,730.4	(265.6)	1,464.8
Cost of net financial debt	(440.5)	-	(440.5)
Other financial income and expenses	(155.2)	301.9	146.8
Pre-tax net income (loss)	1,134.7	36.3	1,171.0
Income tax expense	(227.6)	(70.9)	(298.5)
Net income (loss) of other equity-accounted entities	-	-	-
Net income (loss) from discontinued operations	-	(111.9)	(111.9)
Net income (loss) attributable to non-controlling interests	(147.3)	11.6	(135.7)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	759.8	(134.9)	624.9

At the end of December 2019, other non-current financial income and expenses include capital gains net of disposal costs before tax related to the sale of the residual 30% share in Transdev Group and the Group's heating and cooling networks in the United States.

The non-current corporate income tax expense includes taxes related to non-current financial expenses and capital gains.

Net income (loss) from discontinued operations to the end of December 2019 includes the impact of the exit from Gabon for €33.4 million and the discontinuation of Veolia Water Technologies' EPC activities for -€145.2 million.

Net income (loss) attributable to owners of the Company for the year ended **December 31, 2018 re-presented**, breaks down as follows:

(in € million)	Current	Non-Current	Total
EBIT	**1,643.7**	**(184.5)**	**1,459.2**
Cost of net financial debt	(413.9)	-	(413.9)
Other financial income and expenses	(192.1)	-	(192.1)
Pre-tax net income (loss)	1,037.7	(184.5)	853.2
Income tax expense	(203.6)	4.7	(198.9)
Net income (loss) of other equity-accounted entities	-	-	-
Net income (loss) from discontinued operations	-	(46.4)	(46.4)
Net income (loss) attributable to non-controlling interests	(162.1)	(5.2)	(167.3)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	672.0	(231.4)	440.6

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

(in € million)	Year ended December 31, 2018 re-presented	Year ended December 31, 2019
Current EBIT	**1,643.7**	**1,730.4**
Restructuring costs	(120.5)	(126.9)
Non-current impairments, costs and other provisions	(35.8)	(105.2)
Personnel costs -share-based payments	(17.4)	(21.4)
Share acquisition costs, with or without acquisition of control	(10.8)	(12.1)
Total non-current items	**(184.5)**	**(265.6)**
OPERATING INCOME AFTER SHARE OF NET INCOME OF EQUITY-ACCOUNTED ENTITIES	1,459.2	1,464.8

Restructuring charges for the year ended December 31, 2019 mainly concern the Global businesses segment (-€62.5 million). In addition, application of IFRS 2 led to the recognition of an expense of -€21.4 million in respect of the costs generated by the Group's policy to give employees a vested interest in its performance.

3.3 Financing

3.3.1 CHANGE 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, 2018 re-presented	Year ended December 31, 2019
EBITDA	**3,842.9**	**4,021.8**
Net industrial investments	(2,189.5)	(2,201.4)
Change in operating WCR	60.1	208.9
Dividends received from equity-accounted entities and joint ventures	115.0	97.9
Renewal expenses	(279.8)	(280.3)
Other non-current expenses and restructuring charges	(262.6)	(154.8)
Interest on concession liabilities (IFRIC 12)	(94.2)	(81.3)
Interest on right of use (IFRS 16)	(45.5)	(40.8)
Financial items (current interest paid and operating cash flow from financing activities)	(417.3)	(459.8)
Taxes paid	(192.7)	(241.8)
Net free cash flow before dividend payment, financial investments and financial divestitures	536.4	868.4
Dividends paid	(659.7)	(661.1)
Net financial investments	(286.4)	871.0
Change in receivables and other financial assets	(20.2)	(27.1)
Issue / redemption of deeply subordinated securities	0.0	(5.5)
Proceeds on issue of shares	11.3	17.8
Free cash flow	**(418.7)**	**1,063.7**
Effect of foreign exchange rate movements and other	(67.8)	(180.1)
Redemption of hybrid debt	(1,452.0)	0.0
Change	**(1,938.5)**	**883.6**
Opening net financial debt	(9,625.5)	(11,564.0)
CLOSING NET FINANCIAL DEBT	(11,564.0)	(10,680.4)

Net free cash flow before dividend payments and net financial investments was €868.4 million for the year ended December 31, 2019 (versus re-presented €536.4 million for the year ended December 31, 2018).

The change in net free cash flow compared with the re-presented figure for the year ended December 31, 2018 primarily reflects improved EBITDA with a favorable change in operating working capital requirements, lower net investments (sale of energy assets in the United States) and a decrease in restructuring costs.

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 -€2,364 million for the year ended December 31, 2019, compared with re-presented -€2,268 million for the year ended December 31, 2018.

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

Year ended December 31, 2019 *(in € million)*	Maintenance and contractual requirements (1)	Discretionary growth	Total gross industrial investments (2)	Industrial divestitures	Total net industrial investments
France	468	15	483	(46)	437
Europe excluding France	708	102	810	(60)	749
Rest of the world	532	231	763	(35)	727
Global businesses	268	15	283	(21)	262
Other	26	0	26	0	26
GROUP	2,002	362	2,364	(163)	2,201

(1) Including maintenance investments of €1,273 million (including IFRS16 location of €400 million), and contractual investments of €729 million.
(2) Including new OFA in the amount of -€178 million.

Year ended December 31, 2018 re-presented *(in € million)*	Maintenance and contractual requirements (1)	Discretionary growth	Total gross industrial investments (2)	Industrial divestitures	Total net industrial investments
France	434	34	468	(31)	437
Europe excluding France	788	58	846	(19)	828
Rest of the world	492	207	699	(10)	689
Global businesses	221	10	231	(19)	211
Other	24	0	24	0	24
GROUP	1,959	309	2,268	(79)	2,189

(1) Including maintenance investments of €1,253 million, and contractual investments of €706 million.
(2) Including new OFA in the amount of -€159 million.

At constant exchange rates, gross industrial investments are stable on 2018 re-presented, despite an acceleration in discretionary growth industrial investments compared with 2018 re-presented (+17%). These investments mainly include:

- in France, discretionary investments of €15 million in Waste (modernization of a sorting center and processing facilities);
- new connections to water and heating networks and expansion of water networks in Central Europe for €68 million;
- investments of €30 million in Northern Europe and particularly in Waste in Germany;
- in the Rest of the world, investments of €206 million encompassing the construction of eight hazardous waste processing centers in China and Singapore, the extension of heating networks in Energy in China, improvements to the Ankleswar plant in India and investments under an industrial contract in Korea.

3.3.2.2 Financial investments and divestitures

Financial investments totaled €619 million in 2019 (including acquisition costs and net financial debt of new entities) and mainly included the acquisition of Levice in Slovakia (€71 million), Renascimento in Portugal (€39 million) and Huafei in China (€28 million). These investments also include the buyout of minority interests in energy assets in the United States (€114 million), subsequently sold at the year-end (see below). In the year ended December 31, 2018 re-presented, financial investments totaled €786 million (including the net financial debt of new entities) and notably concerned the acquisition of Grupo Sala in Colombia (€168 million), PPC group in Slovakia (€135 million), minority interests in Veolia Energie Ceska Republika a.s. in the Czech Republic (€85 million) and HCI in Belgium (€43 million).

Financial divestitures totaled €1,490 million in 2019 (including disposal costs) and mainly include the sale of energy assets in the United States (€1.1 billion), the sale of Transdev Group (€334 million) and the sale of the investment in Foshan (landfill site in China) (€49 million). Financial divestitures totaled €479 million in 2018, with the sale of the Industrial Services Division in the United States (€96 million), the sale of 25% of the investment in BVAG (€146 million) and the partial or total sale of PVK (€69 million) and ScVK (€75 million) in the Czech Republic.

3.3.3 LOANS TO JOINT VENTURES

Loans to joint ventures, recorded under "Change in receivables and other financial assets" totaled €159.5 million as of December 31, 2019 (versus €132 million as of December 31, 2018 re-presented) and include loans to the Chinese concessions of €99.5 million, up €22.4 million compared with €77.1 million as of December 31, 2018 re-presented. Other receivables mainly include the €29.8 million loan granted by Veolia Energie to the joint venture Kilpilahti.

3.3.4 OPERATING WORKING CAPITAL

The change in operating working capital requirements (excluding discontinued operations) was €209 million for the year ended December 31, 2019, compared with re-presented €60.1 million for the year ended December 31, 2018. In 2019, the Group monetized receivables totaling €795 million under its factoring program, compared with €640 million in 2018.

The operating WCR position on the balance sheet as of December 31, 2019 is a resource of €1,179 million (an improvement of €294 million compared to December 31, 2018 re-presented).

See Note 5.3 to the consolidated financial statements for the year ended December 31, 2019.

3.3.5 EXTERNAL FINANCING

3.3.5.1 Structure of net financial debt

(€ millions)	Note	Year ended December 30, 2018 re-presented	Year ended December 30, 2019
Non-current borrowings	8.1.1	11,074	10,785
Current borrowings	8.1.1	5,019	5,910
Bank overdraft and other cash position items	8.1.3	216	302
Sub-total borrowings		16,308	16,996
Cash and cash equivalents	8.1.3	(4,557)	(5,843)
Fair value gains (losses) on hedge derivatives	8.3.1	6	(4)
Liquid assets and financing-related assets	8.1.2	(193)	(468)
NET FINANCIAL DEBT		11,564	10,680

As of December 31, 2019, net financial debt after hedging is borrowed 96% at fixed rates and 4% at floating rates.

The average maturity of net financial debt was 6.9 years as of December 31, 2019 compared with 7.5 years as of December 31, 2018.

3.3.5.2 Group liquidity position

Liquid assets of the Group as of December 31, 2019 break down as follows:

(in € million)	As of December 31, 2018 re-presented	As of December 31, 2019
Veolia Environnement:		
Undrawn syndicated loan facility	3,000.0	3,000.0
Undrawn MT bilateral credit lines	925.0	1,000.0
Undrawn ST bilateral credit lines	-	100.0
Letters of credit facility	64.7	86.8
Cash and cash equivalents (1)	3,510.6	4,635.5
Subsidiaries:		
Cash and cash equivalents (1)	1,238.7	1,675.5
Total liquid assets	8,739.0	10,497.8
Current debt and bank overdrafts and other cash position items		
Current debt	5,018.8	5,909.5
Bank overdrafts and other cash position items	215.7	302.2
Total current debt and bank overdrafts and other cash position items	5,234.5	6,211.7
TOTAL LIQUID ASSETS NET OF CURRENT DEBT AND BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS	3,504.5	4,286.1

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

The increase in net liquid assets mainly reflects the sale of energy assets in the United States for US$1,245 million (€1,112 million equivalent), partially offset by the arrival at maturity of the 2020 euro bond lines.

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

On November 6, 2015, Veolia Environnement signed a new multi-currency syndicated loan facility in the amount of €3 billion, initially maturing in 2020 and 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 as of December 31, 2019.

Veolia Environnement has bilateral credit lines for a total undrawn amount of €1.1 billion as of December 31, 2019.

As of December 31, 2019, the bilateral letters of credit facility drawable in cash amount to US$97.5 million (€86.8 million equivalent) not used to date.

3.3.5.3 Bank covenants

See Note 8.3.2.3 to the consolidated financial statements for the year ended December 31, 2019.

3.4 Return on Capital Employed (ROCE)

POST-TAX ROCE

Current EBIT after tax is calculated as follows:

	Excluding IFRS 16		Including IFRS 16	
(in € million)	Year ended December 31, 2018 re-presented	**Year ended December 31, 2019**	Year ended December 31, 2018 re-presented	**Year ended December 31, 2019**
Current EBIT*	**1,600**	**1,685**	**1,644**	**1,730**
• Current income tax expense	(204)	(231)	(204)	(228)
Current EBIT after tax	**1,396**	**1,454**	**1,440**	**1,502**

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

The capital employed for the year is calculated as follows:

	Excluding IFRS 16		Including IFRS 16	
(in € million)	As of December 31, 2018 re-presented	**As of December 31, 2019**	As of December 31, 2018 re-presented	**As of December 31, 2019**
Intangible assets and Property, Plant and equipment, net	12,348	12,560	12,399	12,528
Right of use			1,699	1,665
Goodwill, net of impairment	5,149	5,170	5,149	5,170
Investments in joint ventures and associates	1,887	1,886	1,881	1,880
Operating financial assets	1,479	1,520	1,486	1,517
Operating and non-operating working capital requirements, net	(2,634)	(3,191)	(2,628)	(3,184)
Net derivative and other instruments	0	(104)	0	(104)
Provisions	(2,230)	(2,283)	(2,238)	(2,292)
Capital employed	**15,999**	**15,558**	**17,748**	**17,180**
Impact of discontinued operations and other restatements (1)	189	731	189	731
Adjusted closing capital employed	**16,188**	**16,289**	**17,937**	**17,911**

(1) 2019 restatements include the add-back of the capital employed of TNAI sold on December 30, 2019. 2018 figures were restated for the capital employed of divested companies reclassified in accordance with IFRS 5 in 2017/2018 (including ScVK).

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
2018 (excluding IFRS 16)	1,396	15,830	8.8%
2019 (excluding IFRS 16)	**1,454**	**16,239**	**9.0%**
2018 (including IFRS 16)	1,440	17,546	8.2%
2019 (including IFRS 16)	**1,502**	**17,924**	**8.4%**

3.5 Related-party transactions

The Group identifies related parties in accordance with paragraph 9 of IAS 24 revised, Related Party Disclosures (see Note 13 to the consolidated financial statements) for the year ended December 31, 2019.

3.6 Statutory Auditors' fees

	KPMG SA				Ernst & Young			
	Amounts		Percentage		Amounts		Percentage	
(in € million)	2019	2018	2019	2018	2019	2018	2019	2018
Certification of individual and consolidated accounts and full year limitedl								
Veolia Environnement	1.5	1.5	11.7%	12.1%	1.7	1.8	11.1%	12.2%
Controlled entities	9.1	9.0	71.1%	72.6	10.4	10.3	68.0%	69.8%
Sub-total (a)	10.6	10.5	82.8%	84.7%	12.1	12.1	79.1%	82.0%
Other services than certification of accounts required by legal and regulatory texts								
Veolia Environnement	0.1	0.0	0.8%	0.0%	0.1	0.1	0.7%	0.3%
Controlled entities	0.1	0.2	0.8%	1.6%	0.2	0.1	1.3%	0.7%
Sub-total (b)	0.2	0.2	1.6%	1.6%	0.3	0.2	2.0%	1.0%
Other services than the certification of accounts provided at the request of the entity								
Veolia Environnement	0.1	0.2	0.8%	1.6%	0.3	0.1	2.0%	0.3%
Controlled entities	1.9	1.5	14.8%	12.1%	2.6	2.4	17.0%	16.2%
Sub-total (c)	2.0	1.7	15.6%	13.7%	2.9	2.5	19.6%	16.6%
Other services than certification accounts								
Sub-total (d) = (b) + (c)	2.2	1.9	17.2%	15.3%	3.2	2.7	20.9%	18.2%
TOTAL (E) = (A) + (D)	12.8	12.4	100.0%	100.0%	15.3	14.8	100.0%	100.0%

(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).

3.7 Subsequent events

BOND ISSUE

On January 8, 2020, Veolia Environnement issued a €500 million 11-year bond, with a January 2031 maturity. This bond bears a coupon of 0.664% and was issued at par. The proceeds of this issuance will be used for general corporate purposes, and in particular in anticipation of bond repayments at the end of 2020. The high over-subscription rate, the quality of the investor base, their good diversification (over 160 orders from Europe and Asia) and the good conditions which were achieved are signals that Veolia's signature is viewed very favorably and of its financial strength.

CAPITAL MARKET DAY

On February 28 2020, the Group presented in Paris during its investor's day all the details of its new strategic program "Impact 2020-2023".

In a nutshell:

- a particular context: the environmental priority has never been higher;
- a high ambition: to be the reference company for the ecological transformation;
- a priority: maximizing Veolia's positive impact - environmental, societal, financial;
- a consequence: clear priorities:
  - strong acceleration of the businesses which have the highest positive impact on the planet,
  - 20% portfolio rotation;
- preparing the future:
  - reinvent the historical businesses,
  - create new solutions to address the global environmental challenges;
- a highly rigorous execution:
  - €1bn cost savings plan,
  - net financial debt below 3 x EBITDA over the duration of the plan;
- providing the proof of commitments with a set of KPIs:
  - to track our impact on all our stakeholders,
  - to base the bonus policy of the managers.

IMPACT OF CORONAVIRUS (COVID-19)

As of March the 10th 2020, given its service activities, the Group having a local supply and value chain, the impact of Coronavirus (Covid-19) is mainly limited to Chinese territory.

In fact, the Group notes a drop in China in the volumes processed in its waste activities, notably from local industrial customers, and expects delays, which can range from a few weeks to a few months, on the hazardous waste treatment infrastructure sites under construction (seven projects in progress).

Operations in China (including Hong Kong) represent approximately 4% of sales and 6% of Group EBITDA in 2019.

With regard to the other countries currently affected by the pandemic, the impact of Coronavirus on the Group's results is considered to be of little significance as of March the 10th, 2020.

In total, and in a context of uncertainty over the duration, extent and location of the health crisis, the Group currently estimates the risk on its 2020 EBITDA at less than 1%, a risk integrated into its 2020 outlook.

On the date of filing of the Veolia 2019 Universal Registration Document and given the very recent and very evolving conditions of population containment measures in most of the countries in which Veolia operates, it is not possible to give a more precise estimation of the impacts of Covid-19.

Given the great uncertainty about the volution of the Covid-19 pandemic and the containment measures implemented, the Group will continue to inform the market on the economic impacts that could arise.

3.8 Risk factors

The main risk factors the Group could confront are set out in Chapter 5 of the 2019 Universal Registration Document.

3.9 Outlook

2020 guidance and 2023 objectives are as follows:

- **2020 Guidance** (1) (2)
  - Revenue: solid organic growth,
  - Efficiency: at least €250M in cost savings,
  - EBITDA: ~€4.1bn.
  - Dividend growth on the trajectory of the 2020-2023 plan;
- **2023 Objectives** (1) (2)
  - Revenue: continued solid growth,
  - Efficiency: €1bn in cost savings over 4 years,
  - EBITDA 2023 between €4.7bn and €4.9bn,
  - Current Net income: ~€1bn in 2023,
  - Leverage ratio < 3 and well below 3 in 2023,
  - Dividend growth in line with current net income growth,
  - Dividend 2023: €1.30 per share.

(1) *These outlooks are based in particular on:*
- *Constant IFRS accounting norms,*
- *An economic environment without major change,*
- *Average temperature assumptions in our water and power operations,*
- *Price and commodity assumptions based on market conditions at the end of December 2019.*

(2) *These objectives are established and developed on a basis comparable to historical financial information and in accordance with the accounting methods of the issuer.*

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 presented in Section 2.4.3. Likewise, the reconciliation of current net income with net income attributable to owners of the Company, as shown in the income statement, is presented in Section 2.4.3.

The reconciliation of Operating cash flow before change in working capital with EBITDA is as follows:

(In € million)	As of December 31, 2018 re-presented	As of December 31, 2019
Operating cash flow before change in working capital	**3,123.0**	**3,255.1**
Of which self-financing capacity	(22.8)	(34.1)
Of which operating cash flow	3,145.8	3,289.2
Exclusion:		
Renewal Expenses	279.8	280.3
Non-current WCR impairment losses	(0.7)	1.2
Restructuring charges cash	205.3	109.9
Acquisition costs and selling costs on securities	19.5	90.7
Other non-current expenses	58.0	88.8
Integration:		
Repayment of operating financial assets	135.1	161.8
EBITDA	**3,842.8**	**4,021.8**

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	As of December 31, 2018 re-presented	As of December 31, 2019
Net cash from operating activities of continuing operations		**2,843.2**	**3,118.5**
Integration:			
Industrial investment net of grants		(1,491.7)	(1,676.0)
Disposals of industrial assets		78.6	162.8
New operating financial assets		(159.3)	(177.9)
Repayment of operating financial assets		135.1	161.8
New finance lease debt		(469.8)	(406.6)
Dividends received	Note 5.2.2	115.0	97.9
Net financial interest		(546.0)	(549.6)
Exclusion:			
Acquisition and selling costs on securities, and other		31.3	137.5
Net free cash flow		**536.4**	**868.4**

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

(In € million)	As of December 31, 2018 re-presented	As of December 31, 2019
Industrial investments net of grants	**(1,491.7)**	**(1,676.0)**
New finance lease debt	(469.8)	(406.6)
Variation in working capital requirements of the concession area	(147.1)	(103.6)
New operating financial assets	(159.3)	(177.9)
Industrial capex	**(2,267.9)**	**(2,364.1)**

3.10.2 RECONCILIATION OF 2018 REPORTED DATA WITH 2018 RE-PRESENTED DATA

(In € million)	December 2018 published	IFRS 5 Adjustement [2]	IFRS 16 Adjustment	December 2018 represented
Revenue	25,911.1	40.1	0.0	25,951.3
EBITDA	3,392.0	3.0	447.8	3,842.9
Current EBIT [1]	1,604.0	(3.9)	43.7	1,643.7
Financial Result	(561.6)	(1.1)	(43.3)	(606.0)
Operating Income	1,419.6	(3.9)	43.7	1,459.3
Current net income – Group share	674.9	(4.2)	1.3	672.0
Net income – Group share	439.3	0.0	1.3	440.6
Gross industrial investments	(1,811)	(1)	(456)	(2,268)
Net free cash flow	568	1	(33)	537
Net financial debt	(9,750)	2	(1,816)	(11,564)

(1) Including the share of current net income of joint ventures and associates for the year ended December 31. 2018 re-presented.
(2) Figures for the year ended December 31, 2018 were re-presented to ensure comparability. following the reclassification of the Group's activities in Lithuania in "Net income from discontinued operations" in accordance with IFRS 5.

(In € million)	December 2018 published	IFRS 5 Adjustement	IFRS 16 Adjustment	December 2018 represented
France	5,499.3	0.0	0.0	5,499.3
Europe excluding France	9,090.6	40.1	0.0	9,136.1
Rest of the world	6,619.7	0.0	0.0	6,619.7
Global businesses	4,665.5	0.0	0.0	4,665.5
Other	30.7	0.0	0.0	30.7
REVENUE	25,911.1	40.1	0.0	25,951.3

(In € million)	December 2018 published	IFRS 5 Adjustement	IFRS 16 Adjustment	December 2018 represented
France	802.0	0.0	97.6	899.5
Europe excluding France	1,354.1	3.0	114.6	1,471.8
Rest of the world	952.6	0.0	109.8	1,062.4
Global businesses	272.6	0.0	88.3	360.9
Other	10.7	0.0	37.6	48.3
EBITDA	3,392.0	3.0	447.8	3,842.9

(In € million)	December 2018 published	IFRS 5 Adjustement	IFRS 16 Adjustment	December 2018 represented
France	115.1	0.0	6.4	121.4
Europe excluding France	726.9	(3.9)	13.0	736.0
Rest of the world	623.1	0.0	15.0	638.0
Global businesses	145.3	0.0	6.2	151.6
Other	(6.3)	0.0	3.1	(3.3)
CURRENT EBIT	1,604.0	(3.9)	43.7	1,643.7

3.10.3 DEFINITIONS

GAAP (IFRS) indicators

Cost of net financial debt is equal to the cost of gross debt excluding IFRS16 financial interests presented as other financial expenses and 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 attributable to owners of the Company 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 attributable to owners of the Company 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 splits its investments in three categories:

- (i) maintenance investments which reflect the replacement of equipment and installations used by the Group;
- (ii) growth investments which include investments in new equipment and installations to secure or embedded in existing contracts;
- (iii) discretionary growth investments which reflect investments in new equipment and installations linked to new projects. contract wins or significant new developments and extensions to existing projects or contracts.

The last two categories are defined as growth investments.

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) which includes IFRS16 lease debt. 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 including IFRS 16 to EBITDA including IFRS 16.

The financing rate is defined as the ratio of the cost of net financial debt (excluding IFRS 16 lease debt and fair value adjustments to instruments not qualifying for hedge accounting) to average monthly net financial debt excluding IFRS 16 lease debt for the period. including the cost of net financial debt of 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.

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

(€ million)		As of January 1, 2018 re-presented*	As of December 31, 2018 published	As of December 31, 2018 re-presented*	As of December 31, 2019
Goodwill	Note 7.1	4,915.7	5,107.7	5,107.7	5,128.0
Concession intangible assets	Note 7.2.1	3,475.3	3,467.3	3,467.3	3,517.4
Other intangible assets	Note 7.2.2	1,017.1	1,116.3	1,116.3	1,372.6
Property, plant and equipment	Note 7.3	7,294.4	7,856.8	7,856.8	7,679.8
Rights of use (net)	Note 7.4	1,679.5	-	1,698.5	1,664.6
Investments in joint ventures	Note 5.2	1,500.3	1,517.1	1,511.1	1,497.7
Investments in associates	Note 5.2	607.8	370.2	370.2	382.5
Non-consolidated investments		70.6	44.3	44.3	52.4
Non-current operating financial assets	Note 5.4	1,416.8	1,387.1	1,387.1	1,431.2
Non-current derivative instruments - Assets	Note 8.3	27.1	31.6	31.6	39.0
Other non-current financial assets	Note 8.1.2	348.6	332.8	332.8	374.6
Deferred tax assets	Note 11.2	995.1	1,028.2	1,043.4	952.9
Non-current assets		**23,348.3**	**22,259.5**	**23,967.1**	**24,092.7**
Inventories and work-in-progress	Note 5.3	721.6	818.0	818.0	792.0
Operating receivables	Note 5.3	8,482.7	9,016.3	9,010.1	9,341.7
Current operating financial assets	Note 5.4	197.3	99.3	99.3	86.0
Other current financial assets	Note 8.1.2	404.6	432.2	432.2	738.5
Current derivative instruments - Assets	Note 8.3	70.1	69.2	69.2	91.5
Cash and cash equivalents	Note 8.1.3	6,263.9	4,556.5	4,556.5	5,843.3
Assets classified as held for sale	Note 3.3	486.9	341.8	341.8	33.3
Current assets		**16,627.1**	**15,333.3**	**15,327.1**	**16,926.3**
TOTAL ASSETS		39,975.4	37,592.8	39,294.2	41,019.0

* *2018 adjustments concern the application of IFRS 16 and IFRIC 23 (see Note 1.2.2 - New standards and interpretations).*

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position – Equity and Liabilities

(€ million)		January 1, 2018 re-presented*	As of December 31, 2018 published	As of December 31, 2018 re-presented*	As of December 31, 2019
Share capital	Note 9.2	2,816.8	2,828.0	2,828.0	2,836.3
Additional paid-in capital		7,161.2	7,182.5	7,182.5	7,197.9
Reserves and retained earnings attributable to owners of the Company		(2,601.8)	(4,025.1)	(4,140.9)	(4,100.5)
Total equity attributable to owners of the Company	**Note 9.2**	**7,376.2**	**5,985.4**	**5,869.6**	**5,933.7**
Total equity attributable to non-controlling interests	Note 9.3	1,147.9	1,158.9	1,151.7	1,144.7
Equity		**8,524.1**	**7,144.3**	**7,021.3**	**7,078.4**
Non-current provisions	Note 10	1,937.8	1,790.3	1,782.6	1,848.7
Non-current borrowings	Note 8.1.1	9,321.8	9,655.5	9,517.6	9,366.8
Non-current lease debt (IFRS 16)	Note 8.1.2.	1,530.3	-	1,556.0	1,417.9
Non-current derivative instruments - Liabilities	Note 8.3	108.4	55.8	55.8	52.4
Concession liabilities - non-current	Note 5.5	1,281.2	1,350.4	1,350.4	1,421.7
Deferred tax liabilities	Note 11.2	970.1	1,042.6	1,042.6	984.4
Non-current liabilities		**15,149.6**	**13,894.6**	**15,305.0**	**15,091.9**
Operating payables	Note 5.3	10,161.6	10,964.9	10,999.4	11,753.6
Concession liabilities - current	Note 5.5	85.8	117.9	118.0	128.3
Current provisions	Note 10	551.6	530.1	513.2	539.1
Current borrowings	Note 8.1.1	4,571.1	4,622.5	4,593.6	5,443.7
Current lease debt (IFRS 16)	Note 8.1.1	433.5	-	425.2	465.7
Current derivative instruments - Liabilities	Note 8.3	49.1	83.7	83.7	197.8
Bank overdrafts and other cash position items	Note 8.1.3	208.9	215.7	215.7	302.2
Liabilities directly associated with assets classified as held for sale	Note 3.3	240.1	19.1	19.1	18.3
Current liabilities		**16,301.7**	**16,553.8**	**16,967.9**	**18,848.7**
TOTAL EQUITY AND LIABILITIES		39,975.4	37,592.8	39,294.2	41,019.0

* *2018 adjustments concern the application of IFRS 16 and IFRIC 23 (see Note 1.2.2 - New standards and interpretations).*

The accompanying notes are an integral part of these consolidated financial statements.

4.1.2 CONSOLIDATED INCOME STATEMENT

(€ million)		As of December 31, 2018 published	As of December 31, 2018 re-presented*	As of December 31, 2019
Revenue	**Note 5.1**	**25,911.1**	**25,951.3**	**27,188.7**
Cost of sales	Note 5.2	(21,671.7)	(21,663.4)	(22,827.7)
Selling costs	Note 5.2	(610.3)	(610.9)	(610.6)
General and administrative expenses	Note 5.2	(2,141.6)	(2,149.4)	(2,157.4)
Other operating revenue and expenses	Note 5.2	(183.8)	(183.9)	(258.0)
Operating income before share of net income (loss) of equity-accounted entities	**Note 5.2**	**1,303.7**	**1,343.7**	**1,335.0**
Share of net income (loss) of equity-accounted entities		**115.9**	**115.6**	**129.8**
o/w share of net income (loss) of joint ventures	Note 5.2.4	71.7	71.4	89.3
o/w share of net income (loss) of associates	Note 5.2	44.2	44.2	40.5
Operating income after share of net income (loss) of equity-accounted entities		**1,419.6**	**1,459.3**	**1,464.8**
Net finance costs	Note 8.4.1	(413.8)	(413.9)	(440.5)
Other financial income and expenses	Note 8.4.2	(147.8)	(192.1)	146.7
Pre-tax net income (loss)		**858.0**	**853.3**	**1,171.0**
Income tax expense	Note 11.1	(200.3)	(199.0)	(298.5)
Share of net income (loss) of other equity-accounted entities	Note 5.2.4	-	-	-
Net income (loss) from continuing operations		**657.7**	**654.3**	**872.5**
Net income (loss) from discontinued operations	Note 3.3.2	(50.6)	(46.4)	(111.9)
Net income (loss) for the period		**607.1**	**607.9**	**760.6**
Attributable to owners of the Company		**439.3**	**440.6**	**624.9**
Attributable to non-controlling interests	Note 9.2	167.8	167.3	135.7
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE				
Diluted	Note 9.5	0.68	0.68	1.12
Basic	Note 9.5	0.65	0.65	1.07
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE				
Diluted	Note 8.4	0.77	0.76	1.32
Basic	Note 8.4	0.74	0.73	1.26
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE				
Diluted	Note 8.4	(0.09)	(0.08)	(0.20)
Basic	Note 8.4	(0.09)	(0.08)	(0.19)

* *2018 adjustments concern the application of IFRS 16 (see Note 1.2.2 - New standards and interpretations) and the inclusion of the Lithuania accounts previously presented in discontinued operations.*

The accompanying notes are an integral part of these consolidated financial statements.

4.1.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ million)	As of December 31, 2018 published	As of December 31, 2018 re-presented (1)	As of December 31, 2019
Net income (loss) for the period	**607.1**	**607.9**	**760.6**
Actuarial gains or losses on pension obligations	(0.5)	(0.5)	(53.5)
Income tax expense	0.5	0.5	0.7
Amount net of tax	-	-	(52.8)
Other items of comprehensive income not subsequently released to net income	**-**	**-**	**(52.8)**
o/w attributable to joint ventures	***-***	***-***	***(0.2)***
o/w attributable to associates	***(0.2)***	***(0.2)***	***(0.1)***
Fair value adjustments on available-for-sale assets	(5.8)	(5.8)	5.2
Income tax expense	1.2	1.2	(1.5)
Amount net of tax	(4.6)	(4.6)	3.7
Fair value adjustments on cash flow hedge derivatives	0.7	0.7	(0.7)
Income tax expense	(1.2)	(1.2)	0.7
Amount net of tax	(0.5)	(0.5)	-
Foreign exchange gains and losses:	-	-	-
• on the translation of the financial statements of subsidiaries drawn up in a foreign currency	(114.1)	(113.1)	(109.0)
Amount net of tax	(114.1)	(113.1)	(109.0)
• on the net financing of foreign operations	(25.1)	(25.1)	112.3
• income tax expense	-	-	-
Amount net of tax	(25.1)	(25.1)	112.3
Other items of comprehensive income subsequently released to net income	**(144.3)**	**(143.3)**	**7.0**
o/w attributable to joint venture (2)	***(5.7)***	***(5.7)***	***(4.6)***
o/w attributable to associates	***(1.6)***	***(1.6)***	***2.2***
Total Other comprehensive income	**(144.3)**	**(143.3)**	**(45.8)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	462.8	464.6	714.8
Attributable to owners of the Company	300.8	303.1	589.5
Attributable to non-controlling interests	162.0	161.5	125.3

(1) 2018 adjustments concern the application of IFRS 16 (see Note 1.2.2 - New standards and interpretations) and the inclusion of the Lithuania accounts previously presented in discontinued operations.
(2) The share attributable to joint ventures mainly concerns the change in foreign exchange translation reserves of the Chinese concessions (-€7.3 million for the yean ended December 31,2019 and -€12.8 million for the year ended December 31,2018 represented).

The year accompanying notes are an integral part of these consolidated financial statements.

4.1.4 CONSOLIDATED CASH FLOW STATEMENT

(€ million)	Notes	As of December 31, 2018 published	As of December 31, 2018 re-presented [1]	As of December 31, 2019
Net income (loss) for the period		**607.1**	**607.9**	**760.6**
Net income (loss) from continuing operations		***657.7***	***654.3***	***872.5***
Net income (loss) from discontinued operations		***(50.6)***	***(46.4)***	***(111.9)***
Operating depreciation, amortization, provisions and impairment losses		1,399.4	1,810.5	2,028.1
Financial amortization and impairment losses		6.4	6.4	0.7
Gains (losses) on disposal of operating assets		(10.9)	(11.2)	12.5
Gains (losses) on disposal of financial assets		(13.1)	(12.3)	(403.0)
Share of net income (loss) of joint ventures	Note 5.2.4	(71.7)	(71.4)	(89.3)
Share of net income (loss) of associates	Note 5.2.4	(44.2)	(44.2)	(40.5)
Dividends received	Note 8.4.2.	(4.4)	(4.4)	(3.4)
Net finance costs	Note 8.4.1	413.9	414.0	440.5
Income tax expense	Note 11	200.2	198.9	298.5
Other items		136.8	182.3	138.4
Operating cash flow before changes in operating working capital [2]		**2,670.1**	**3,122.9**	**3,255.0**
Change in operating working capital requirements		61.8	60.1	208.9
Change in concession working capital requirements		(147.1)	(147.1)	(103.6)
Income taxes paid		(193.7)	(192.7)	(241.8)
Net cash from operating activities of continuing operations		***2,391.1***	***2,843.2***	***3,118.5***
Net cash from operating activities of discontinued operations		***(0.1)***	***(2.9)***	***(30.7)***
Net cash from operating activities		**2,391.0**	**2,840.3**	**3,087.8**
Industrial investments, net of grants		(1,490.4)	(1,483.7)	(1,676.0)
Proceeds on disposal of industrial assets		59.2	78.5	162.8
Purchases of investments	Note 3.2	(458.8)	(458.8)	(321.6)
Proceeds on disposal of financial assets	Note 3.2	245.1	245.1	1,524.8
Operating financial assets		-	-	-
New operating financial assets	Note 5.4	(159.3)	(159.3)	(177.9)
Principal payments on operating financial assets	Note 5.4	135.1	135.1	161.8
Dividends received (including dividends received from joint ventures and associates)		115.0	115.0	97.9
New non-current loans granted		(678.6)	(678.6)	(208.3)
Principal payments on non-current loans		675.7	675.7	167.2
Net decrease/increase in current loans		(17.4)	(17.4)	14.0
Net cash used in investing activities of continuing operations		***(1,574.4)***	***(1,548.4)***	***(255.3)***
Net cash used in investing activities of discontinued operations		***(3.2)***	***(2.0)***	***-***
Net cash used in investing activities		**(1,577.6)**	**(1,550.4)**	**(255.3)**
Net increase (decrease) in current borrowings	Note 8.1.1	(980.3)	(956.4)	(465.0)

(€ million)	Notes	As of December 31, 2018 published	As of December 31, re-presented [1]	As of December 31, 2019
Change in current lease debt (IFRS 16)	Note 8.1.1	-	(425.8)	(470.9)
Repayment of hybrid debt	Note 8.1.1	(1,452.1)	(1,452.1)	-
Repayment of / (New) non-current lease debt (IFRS 16)	Note 8.1.1	-	(38.8)	(76.3)
New non-current borrowings and other debts	Note 8.1.1	1,100.0	1,100.0	1,824.4
Principal payments on non-current borrowings and other debts	Note 8.1.1	(157.5)	(147.7)	(850.0)
Change in liquid assets and financing financial assets	Note 8.1.2	(17.4)	(17.4)	(274.7)
Proceeds on issue of shares	Note 9.2	43.8	43.8	16.7
Share capital reduction		-	-	-
Transactions with non-controlling interests: partial purchases		(109.8)	(109.8)	(127.8)
Transactions with non-controlling interests: partial sales		229.9	229.9	10.2
Proceeds on issue of deeply subordinated securities		-	-	(5.5)
Coupons on deeply subordinated securities	Note 8.3	(66.4)	(66.4)	-
Purchases of/proceeds from treasury shares		(10.5)	(10.5)	1.2
Dividends paid		(592.4)	(592.4)	(661.0)
Interest paid	Note 8.4.1	(406.2)	(406.6)	(427.5)
Interest on operating assets - IFRIC 12		(94.2)	(94.2)	(81.3)
Interest on lease IFRS 16 [2]		-	(45.5)	(40.8)
Net cash from (used in) financing activities of continuing operations		***(2,513.1)***	***(2,989.9)***	***(1,628.3)***
Net cash from financing activities of discontinued operations		***(0.2)***	**-**	**-**
Net cash from (used in) financing activities		**(2,513.3)**	**(2,989.9)**	**(1,628.3)**
Effect of foreign exchange rate changes and other		(15.7)	(16.2)	(3.9)
Increase (decrease) in external net cash of discontinued operations		**1.5**	**2.0**	**-**
NET CASH AT THE BEGINNING OF THE YEAR		6,055.0	6,055.0	4,340.8
NET CASH AT THE END OF THE YEAR		4,340.8	4,340.8	5,541.1
Cash and cash equivalents	Note 8.1.3	4,556.5	4,556.5	5,843.3
Bank overdrafts and other cash position items	Note 8.1.3	215.7	215.7	302.2
NET CASH AT THE END OF THE YEAR		4,340.8	4,340.8	5,541.1

(1) 2018 adjustments concern the application of IFRS 16 (see Note 1.2.2 - New standards and interpretations) with impacts on Operating Cash flow for €453 million and change in cureent and non-current lease debt (IFRS16).
(2) Interests on IFRS 16 lease debt are not included in the Cost of net financial debt, but in Other financial income and expenses (see note 8.4).

The accompanying notes are an integral part of these consolidated financial statements.

4.1.5 STATEMENT OF CHANGES IN EQUITY

(€ million)	Number of shares outstanding	Share capital	Additional paid-in capital	Deeply subordinated securities and OCEANE	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, 2018 published	**563,364,823**	**2,816.8**	**7,161.2**	**1,195.1**	**(434.1)**	**(3,231.2)**	**28.7**	**(56.3)**	**7,480.2**	**1,153.7**	**8,633.9**
IFRS 16 impact	-	-	-	-	-	(104.0)	-	-	(104.0)	(5.8)	(109.8)
Amount as of January 1, 2018 re-presented	**563,364,823**	**2,816.8**	**7,161.2**	**1,195.1**	**(434.1)**	**(3,335.2)**	**28.7**	**(56.3)**	**7,376.2**	**1,147.9**	**8,524.1**
Issues of share capital of the parent company	2,228,518	11.2	21.3	-	-	(10.8)	-	-	21.7	-	21.7
Proceeds on issue of deeply subordinated securities	-	-	-	(1,470.2)	-	18.1	-	-	(1,452.1)	-	(1,452.1)
OCEANE equity component	-	-	-	-	-	-	-	-	-	-	-
Reclassification of coupons paid on hybrid debt / deeply subordinated securities	-	-	-	359.1	-	(359.1)	-	-	-	-	-
Coupon on deeply subordinated securities	-	-	-	(66.4)	-	-	-	-	(66.4)	-	(66.4)
Parent company dividend distribution	-	-	-	-	-	(462.6)	-	-	(462.6)	-	(462.6)
Elimination of treasury shares	-	-	-	-	(10.0)	(0.5)	-	-	(10.5)	-	(10.5)
Share-based payments	-	-	-	-	-	17.4	-	-	17.4	-	17.4
Third party share in share capital increases of subsidiaries	-	-	-	-	-	-	-	-	-	22.1	22.1
Third party share in dividend distributions of subsidiaries	-	-	-	-	-	-	-	-	-	(129.8)	(129.8)
Transactions with non-controlling interests	-	-	-	-	-	152.8	-	-	152.8	(27.3)	125.5
Total transactions with non-controlling interests	**2,228,518**	**11.2**	**21.3**	**(1,177.5)**	**(10.0)**	**(644.7)**	**-**	**-**	**(1,799.7)**	**(135.0)**	**(1,934.7)**
Other comprehensive income	-	-	-	-	-	(0.5)	(130.8)	(6.2)	(137.5)	(5.8)	(143.3)
Net income for the period	-	-	-	-	-	440.6	-	-	440.6	167.3	607.9
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**440.1**	**(130.8)**	**(6.2)**	**303.1**	**161.5**	**464.6**
Other movements	-	-	-	-	-	(10.0)	-	-	(10.0)	(22.7)	(32.7)
Amount as of December 31, 2019	**565,593,341**	**2,828.0**	**7,182.5**	**17.6**	**(444.1)**	**(3,549.8)**	**(102.1)**	**(62.5)**	**5,869.6**	**1,151.7**	**7,021.3**

(€ million)	Number of shares outstanding	Share capital	Additional paid-in capital	Deeply subordinated securities and OCEANE	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 December 31, 2018 published	**565,593,341**	**2,828.0**	**7,182.5**	**17.6**	**(444.1)**	**(3,433.0)**	**(103.1)**	**(62.5)**	**5,985**	**1,158.9**	**7,144.3**
IFRS 16 impact	0	-	-	-	-	(116.8)	1.0	-	(115.8)	(7.2)	(123.0)
Amount as of December 31, 2018 re-presented	**565,593,341**	**2,828.0**	**7,182.5**	**17.6**	**(444.1)**	**(3,549.8)**	**(102.1)**	**(62.5)**	**5,869.6**	**1,151.7**	**7,021.3**
Issues of share capital of the parent company	1,673,198	8.3	15.4	-	-	(7.0)	-	-	16.7	-	16.7
Proceeds on issue of deeply subordinated securities	-	-	-	(5.5)	-	-	-	-	(5.5)	-	(5.5)
OCEANE Equity component	-	-	-	(12.1)	-	12.1	-	-	-	-	-
Reclassification of hybrid debt / deeply subordinated securities	-	-	-	-	-	-	-	-	-	-	-
Coupon on deeply subordinated securities	-			-	-	-	-	-	-	-	-
Parent company dividend distribution	-	-	-	-	-	(509.1)	-	-	(509.1)	-	(509.1)
Elimination of treasury shares	-	-	-	-	1.7	(0.5)	-	-	1.2	-	1.2
Share-based payments	-	-	-	-	-	21.4	-	-	21.4	-	21.4
Third party share in share capital increases of subsidiaries	-	-	-	-	-	-	-	-	0.0	(7.4)	(7.4)
Third party share in dividend distributions of subsidiaries	-	-	-	-	-	-	-	-	0.0	(151.9)	(151.9)
Transactions with non-controlling interests	-	-	-	-	-	(86.5)	-	-	(86.5)	4.4	(82.1)
Total transactions with non-controlling interests	**1,673,198**	**8.3**	**15.4**	**(17.6)**	**1.7**	**(569.6)**	**-**	**-**	**(561.8)**	**(154.9)**	**(716.7)**
Other comprehensive income	-	-	-	-	-	(50.3)	9.5	5.4	(35.4)	(10.4)	(45.8)
Net income for the period	-	-	-	-	-	624.9	-	-	624.9	135.7	760.6
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**574.6**	**9.5**	**5.4**	**589.5**	**125.3**	**714.8**
Other movements	-	-	-	-	-	36.4	-	-	36.4	22.6	59.0
Amount as of December 31, 2019	**567,266,539**	**2,836.3**	**7,197.9**	**-**	**(442.4)**	**(3,508.4)**	**(92.6)**	**(57.1)**	**5,933.7**	**1,144.7**	**7,078.4**

* *Other movements are related to Argentina hyperinflationary impact.*

A dividend per share of €0.92 was distributed in 2019, compared with €0.84 in 2018.

A dividend distribution of €1.0 per share is proposed to the General Shareholders' Meeting of April 22, 2020.

The total dividend paid recorded in the Consolidated Cash Flow Statement of €661 million and €592 million for the years ended December 31, 2019 and 2018, respectively, breaks down as follows:

(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019
Parent company dividend distribution	(462.6)	(509.1)
Third party share in dividend distributions of subsidiaries	(129.8)	(151.9)
Scrip dividend	-	-
TOTAL DIVIDEND PAID	(592.4)	(661.0)

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 at fair value (in accordance with IFRS 9).

The Veolia Environnement consolidated financial statements for the year ended December 31, 2019 were adopted by the Board of Directors on February 26, 2020 and will be presented for approval at the General Shareholders' Meeting on April 22, 2020.

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, 2019, in accordance with uniform accounting policies and methods.

1.2.2 Standards, standard amendments and interpretations applicable from fiscal year 2019

The accounting principles and valuation rules applied by the Group in preparing the consolidated financial statements for the year ended December 31, 2019 are identical to those applied by the Group as of December 31, 2018 with the exception of:

- **IFRS 16, Leases:**

  Since January 1, 2019, Veolia applies the new lease standard (IFRS16), which replaces IAS 17 and the related interpretations, IFRIC 4 (on arrangements containing a lease) and SIC15 / SIC27 (on operating leases and arrangements that contain a lease in substance).

  Application of this new standard requires the recognition in the balance sheet of all lease commitments as defined in the new standard and does not distinguish between operating leases, disclosed until now in off-balance sheet commitments, and finance leases.

  The implementation of this new standard involves recognition in the balance sheet of:

  - a new asset, the "Right of use", which represents the right to use the leased asset during the term of the lease,
  - a liability, the "Lease debt (IFRS16)", which represents the lease payment commitment.

  In the Consolidated Income Statement, the cancellation of the lease expense leads to the recognition of the following impacts:

  - depreciation of the right of use asset,
  - interest on the lease debt (IFRS 16).

  In the Consolidated Cash Flow Statement, the repayment of the lease debt principal and the related interest are recorded in financing cash flows.

  Finally, the IFRS 16 lease debt is included in the aggregate, Group net financial debt (see Note 8.3.2.1)

  The Group has implemented a dedicated IT solution to calculate the impacts of leases and enable their operational monitoring. This is used to:

  - input leases (around 45,000 leases were in effect at the transition date),
  - periodically update information (new contracts, amendments to existing contracts),
  - generate accounting journals and lease summary and monitoring reports.

  Accounting policies and methods adopted

  The Group has elected to apply IFRS 16 as of January 1, 2019 using the full retrospective method, leading to the recognition of impacts in the opening balance sheet as of January 1, 2018.

  In accordance with IFRS 16 transition provisions, the Group did not re-assess contracts identified as containing or not containing a lease under IAS 17/IFRIC 4. The accounting exemptions allowed under the standard for short-term leases (12 months or less) and leases of assets with a low value, were applied. The Group adopted a threshold of US$5,000 for low value assets. Lease payments on exempt contracts and variable payments, continue to be recognized as operating expenses. Of the structuring points contained in this new standard, the Group focused particularly on lease terms, options contained in contractual agreements and discount rates to be applied.

- The Group analyzes each lease individually to determine its term and, in the absence of renewal and/or early termination options that are reasonably certain to be exercised or not exercised, the enforceable period is adopted. The enforceable period is also assessed taking account of the lease's economic environment,
- As authorized by the standard, the Group has elected not to use the rate implicit in the lease as the discount rate, and has developed a calculation method to determine the incremental borrowing rate that would apply to the financing of our leased assets.

  The discount rate is calculated by currency and maturity based on the following parameters: reference rate of the relevant currency and the Veolia credit spread, the Group satisfying, through access to the bond market, the majority of the financing requirements of its subsidiaries.

  The Group recognized deferred tax on the net timing differences relating to assets and liabilities resulting from the application of IFRS 16.

The Group is closely monitoring ongoing lease discussions within the IFRIC Interpretations Committee, and will adjust the accounting methods adopted where necessary.

- **IFRIC 23, Uncertainty over Income Tax Treatments**

  The Group reviewed its uncertain tax positions and did not identify any impact on the measurement of taxes within the scope of IAS 12 (income tax). Uncertain tax liabilities have been reclassified in the amount of €34.4 million from "Provisions for tax litigation" to "Tax payables" in the Consolidated Statement of Financial Position.
- **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);**
- **Amendment to IAS 19 regarding plan amendments, curtailments and settlements.**

The new lease standard and the interpretation on uncertainty over income tax treatments impact the main aggregates in the Consolidated Statement of Financial Position and the Consolidated Income Statement as followed:

(€ million)	As of December 31, 2018 published	IFRS 16 Impacts	Impacts IFRIC 23	As of December 31, 2018 re-presented
Goodwill and intangible assets	9,691.3	-	-	9,691.3
Tangible assets	7,856.8	-	-	7,856.8
Right of use assets (net)	-	1,698.5	-	1,698.5
Other Non-Current Assets	3,683.2	(6.1)	-	3,677.1
Deferred Tax - Assets	1,028.2	15.2	-	1,043.4
Total Net Non-Current Assets	**22,259.5**	**1,707.6**	**-**	**23,967.1**
Current Assets	**15,333.3**	**(6.2)**	**-**	**15,327.1**
TOTAL ASSETS	37,592.8	1,701.4	-	39,294.2
Total Shareholders' Funds	**7,144.3**	**(123.0)**	-	**7,021.3**
Non Current Financial Debts	9,655.5	1,418.1	-	11,073.6
Non-current provisions	1,790.3	10.2	(18.0)	1,782.5
Other Non-Current Liabilities	2,448.8	-	-	2,448.8
Non-Current Liabilities	**13,894.6**	**1,428.3**	**(18.0)**	**15,305.0**
Payables relating	10,964.9	0.2	34.4	10,999.5
Current provisions	530.1	(0.5)	(16.4)	513.2
Other Current Liabilities	436.4	-	-	436.4
Other Current financial debts	4,622.5	396.4	-	5,018.9
Current Liabilities	**16,553.9**	**396.1**	**18.0**	**16,968.0**
TOTAL LIABILITIES	37,592.8	1,701.4	-	39,294.2

(€ million)	December, 2018 Published	IFRS 5	IFRS 16 Impacts	IFRIC 23 impacts	December, 2018 Pro forma
Revenue	**25,911.1**	40.1	-	-	**25,951.2**
Operating Income	**1,419.6**	(3.9)	43.7	-	**1,459.4**
Financial Income	**(561.6)**	(1.1)	(43.3)	-	**(606.0)**
Net income (loss) attributable to owners of the Company	**439.3**	-	1.3	-	**440.6**

Other than the quantified impacts presented above, the first-time application of the other texts did not have a material impact for the Group.

1.2.3 Texts which enter into mandatory effect after December 31, 2017 and not adopted early by the Group:

- **IFRS 17, Insurance contracts;**
- **Amendments to IAS 1 and IAS 8,** regarding the definition of material;
- **Amendment to IFRS 3,** regarding the definition of a business;
- **Amendments to IFRS 9 and IFRS 7,** relating to the interest rate benchmark reform;

  With regards to the interest rate benchmark reform amendments to IFRS 7, Financial Instruments: Disclosures, IFRS 9, Financial Instruments and IAS 39, Financial Instruments: Recognition and Measurement, the Group considers:

  - the index reform does not modify the benchmark rates to which contractual cash flows of hedged items and hedging instruments are indexed and does not call into question the prospective efficiency of hedging relationships with regard to the amount of cash flows from hedged items or hedging instruments, or the timing of these cash flows,
  - uncertainties will remain regarding the timing and amount of future cash flows from hedged items and hedging instruments, was long as the alternative benchmark rates and the replacement date are not known.

  However, the majority of Group contracts that refer to IBOR include clauses detailing how to determine a substitute benchmark index in the event of temporary unavailability of the index, the financial sector having not yet reached a consensus on the definitive method for replacing IBOR following its disappearance.

- **Amendments to IAS 1** on the classification of liabilities as current or non-current;
- **Amendments to references to the conceptual framework in IFRS.**

These texts have been endorsed or are in the course of endorsement by the European Union and are of mandatory application for fiscal years beginning on or after January 1, 2020. The Group is currently assessing the potential impact of the first-time application of these texts.

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

1.3.1 Exchange rate

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, 2018	Year ended December 31, 2019
U.S. Dollar	0.8734	0.8902
Pound sterling	1.1179	1.1754
Chinese renminbi	0.1268	0.1283
Australian dollar	0.6165	0.6252
Polish zloty	0.2325	0.2349
Argentinian Peso	0.0232	0.0149
Mexican Peso	0.0445	0.0471
Brazilian Real	0.2250	0.2214
Czech crown	0.0389	0.0394

Average exchange rate *(one foreign currency unit = €xx)*	Average annual rate 2018	Average annual rate 2019
U.S. Dollar	0.8465	0.8932
Pound sterling	1.1304	1.1398
Chinese renminbi	0.1281	0.1292
Australian dollar	0.6328	0.6210
Polish zloty	0.2347	0.2327
Argentinian Peso	0.0304	0.0185
Mexican Peso	0.0440	0.0464
Brazilian Real	0.2322	0.2266
Czech crown	0.0392	0.0390

1.3.2 Hyperinflation

The market consensus is that Argentina is a hyperinflationary economy since July 1, 2018. The provisions of IAS 29 are, however, applicable from the beginning of the period in which the existence of hyperinflation is identified (IAS 29.4). The Group has therefore applied in the consolidated statements as of December 2019 the provisions of IAS 29 from January 1, 2018 for its businesses in Argentina.

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, an agreement governing the UK's exit from the European Union was adopted on October 17, 2019. After validation by the UK parliament on January 9, 2020, and subject to its ratification by the European parliament, the United Kingdom will leave the European Union on January 31, 2020. Beyond the macro-economic effects which still remain uncertain, the Group's exposure to foreign exchange transactional risk appears limited as of December 31, 2019, the Group's activities being performed by subsidiaries operating in their own country and their own currency. With regard to foreign exchange risk on assets, as it is Group policy to back net foreign investments 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. With respect to translation risk, please refer to note 8.3.2.1.

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;
- application of IAS 37, Provisions, Contingent Liabilities and Contingent Assets: the discount rates used consist of a risk-free interest rate and a risk premium specific to the underlying assets and liabilities;
- application of IAS 19 revised, Employee Benefits: commitments were measured using a range of market indices and, in particular, the Iboxx index and data provided by actuaries. The same method was used year-on-year.

NOTE 3 CONSOLIDATION SCOPE

3.1 Accounting principles relating to the consolidation scope

3.1.1 Consolidation principles

Controlled Entities

Veolia Environnement fully consolidates all entities over which it exercises control.

Definition of control

Control exists when the Group (i) holds power over an entity, (ii) is exposed or has rights to variable returns from its involvement with the entity and (iii) has the ability to use its power over the entity to effect the amount of its returns.

The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

Full consolidation

The Group consolidates a subsidiary in its consolidated financial statements from the date it obtains control of the entity to the date it ceases to control the entity.

Interests that are not directly or indirectly attributable to the Group are recorded in non-controlling interests.

Net income and each component of other comprehensive income of subsidiaries are attributed to owners of the Company and to non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to non-controlling interests, even if this results in non-controlling interests having a deficit balance.

Change in ownership interests in consolidated subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in a change in control over the subsidiaries are accounted for as equity transactions, as they are transactions performed by shareholders acting in this capacity.

The effects of these transactions are recognized in equity at their net-of-tax amount and do not therefore impact the Consolidated Income Statement of the Group.

These transactions are presented in financing activities in the Consolidated Cash Flow Statement.

Investments In Joint Ventures And Associates

Definition

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the entity have rights to its net assets.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Accounting for joint ventures and associates

The results and assets and liabilities of associates or joint ventures are incorporated in the Group consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with the provisions of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

Under the equity method, the investment in the associate or joint venture is initially recognized at acquisition cost and subsequently adjusted to recognize the Group's share of the net income and other comprehensive income of the associate or joint venture.

When a Group entity transacts with an associate or joint venture of the Group, profits and losses resulting from the transaction with the associate or joint venture are recognized in the Group consolidated financial statements only to the extent of interests in the associate or joint venture.

The share of net income (loss) of equity-accounted entities is included in the Group Consolidated Income Statement. Pursuant to recommendation no. 2013-01 issued by the French Accounting Standards Authority (*Autorité des Normes Comptables*, ANC) on April 4, 2013, the share of net income (loss) of equity-accounted entities must be included in "Operating income after share of net income (loss) of equity-accounted entities" or presented in a separate line "Share of net income (loss) of other equity-accounted entities" depending on whether the activities of such entities represent an extension of the Group's businesses.

Impairment tests

When necessary, the carrying amount of the investment in associate or joint-venture (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

3.2.1 Main Acquisitions

Acquisition of Levice (Slovakia)

On February 22, 2019, Veolia Slovenska acquired the entire share capital of Levice, a specialist in the production of heat from gas and cogeneration in Slovakia, for a consideration of €71 million, equal to the value of the shares plus acquired debt.

Acquisition of Renascimento (Portugal)

On January 30, 2019, the Group acquired Renascimento, a waste processing and recycling company in Portugal, for a consideration of €39 million, equal to the value of the shares plus acquired debt.

Acquisition of Stericycle (Chili)

On December 12, 2019, Veolia Holding Chili acquired 100% Stericycle Chili, a specialist in medical waste in Chili for a consideration of €27.2 million.

In year 2019 newly consolidated companies in the Group portfolio has contributed for €341.6 million of the consolidated turnover, €9.6 million of the Net result and contributed for €69.2 million to cash position.

3.2.2 Main Divestitures

Divestiture of Transdev Group

On January 9, 2019, Veolia Environnement closed the sale of its residual stake in Transdev Group to the German Group, Rethmann, for a consideration net of disposal costs of €334 million, generating a capital gain of € 33 million and marking the end of its withdrawal from the Transport business.

Divestiture of Foschan (China)

As part of its rotation policy, the Group sold its entire stake in Foshan (a landfill facility) through its subsidiary Veolia Environmental Services China Ltd during the first quarter for a consideration net of disposal costs of €49 million, generating a capital gain of €37 million.

Divestiture of district energy assets in the United States

On July 31, 2019, the Group, through its subsidiary, Veolia Energy North America Holdings, Inc, sold its district energy assets in the United States to Antin Infrastructure Partners. The portfolio, composed of steam, hot and chilled water and electricity production plants, including cogeneration, and 13 networks in ten U.S. cities, was sold for a consideration of $1.25 billion, generating a capital gain, net of tax and disposal costs, of €170 million.

3.2.3 Other Operations

Gabon

On February 18, 2019, Gabon and Veolia Africa signed a settlement agreement providing for the transfer of 51% of SEEG shares held by Veolia Africa to the Société de Patrimoine du Service public de l'eau potable, de l'énergie électrique et de l'assainissement, a company owned by Gabon, for a price of €45 million. Subject to the fulfillment of conditions precedent and the signature of the protocol by the SEEG, Gabon and the Group shall request the discontinuance of the pending proceeding before the ICSID and shall mutually and definitively release all claims and actions arising from the concession agreement terminated by Gabon. On March 29, 2019, the ICSID noted the end of the arbitration proceeding between the Group and Gabon, enabling the implementation of the settlement agreement. A down payment of €4.5 million was made to Veolia Africa upon the signing of the settlement agreement. The outstanding balance was divided into six monthly installments, with the last payment due in October 2019.

As of December 31, 2019, the Group has recognized the compensation in full in net income from discontinued operations.

Lithuania

Activities in Lithuania were recorded in discontinued operations (Vilnius contract) and activities held for sale (Litesko contract) as of December 31, 2018. Recent discussions during the first quarter of 2019 were unable to agree to a process for the divestiture of these Group activities.

Accordingly, the Litesko assets and liabilities and the Vilnius and Litesko income statements were transferred to continuing operations for all the periods presented.

Discontinuation of EPC activities

Faced with the erosion of margins and the slowdown in its EPC (Engineering, Procurement and Construction) business, Veolia Water Technologies (VWT) had been reflecting on its activities for several years, leading it to reorient its development strategy in the areas of Technologies and Services and thus reduce its exposure to the «historic» construction business.

At the beginning of 2019, VWT has decided to accelerate its transformation by discontinuing the EPC activity in all geographies in aid of so-called EP contracts (Engineering/Design and Procurement excluding civil engineering or electrical and mechanical assembly).

In practice, the discontinuation of this EPC activity required a long process of detailed review of the terms and conditions of the exit from each of the existing contracts (including the assessment of completion guarantees) in order to best manage the end of the activities and minimize the Group's financial exposure. To this end, a specific Business Unit was created with its own management and resources. The contract review process was finalized in the last quarter of 2019.

Given the characteristics of this EPC exit plan, the Group considered the specific BU as meeting the criteria of IFRS 5 on discontinued operations and recognized a result of - €145.2 million presented on the line «income from discontinued operations». EPC 2018 results being non-significant with respect to continuing activities, the income statement has not been represented for comparability purposes.

3.3 Assets classified as held for sale, discontinued operations and divestitures

3.3.1 Assets and liabilities classified as held for sale

Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale are presented separately in the Group Consolidated Statement of Financial Position as follows:

(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019
Assets classified as held for sale	341.8	33.3
Liabilities directly associated with assets classified as held for sale	19.1	18.3

As of December 31, 2019, assets classified as held for sale and Liabilities directly associated with assets classified as held for sale break down by operating segment as follows:

(€ million)	France	Europe excluding France	Rest of the World	Global businesses	Other	Total
Assets	**-**	**-**	**-**	**-**	**-**	**-**
Non-current assets	-	25.9	-	-	-	25.9
Current assets	-	4.4	-	-	-	4.4
Cash and cash equivalents	-	3.0	-	-	-	3.0
ASSETS CLASSIFIED AS HELD FOR SALE	-	33.3	-	-	-	33.3
Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Non-current liabilities	-	11.6	-	-	-	11.6
Current liabilities	-	6.7	-	-	-	6.7
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	-	18.3	-	-	-	18.3

They consist of the assets and liabilities of a German subsidiary and its subsidiary consolidated at 100% classified in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale following the exercise of a call option by its partner.

As of December 31, 2018, Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale, break down by operating segment as follows:

(€ million)	France	Europe excluding France	Rest of the World	Global businesses	Other*	Total
Assets	-	-	-	-	-	-
Non-current assets	-	20.9	-	-	304.0	324.9
Current assets	-	15.1	-	-	-	15.1
Cash and cash equivalents	-	1.8	-	-	-	1.8
ASSETS CLASSIFIED AS HELD FOR SALE	-	37.8	-	-	304.0	341.8
Liabilities	-	-	-	-	-	-
Non-current liabilities	-	5.1	-	-	-	5.1
Current liabilities	-	14.0	-	-	-	14.0
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	-	19.1	-	-	-	19.1

* *Transdev Group.*

3.3.2 Discontinued Operations

In the Consolidated Income Statement presented for comparative purposes, the net income (loss) of operations divested or in the course of divestiture was reclassified to "Net income (loss) from discontinued operations".

In 2019, discontinued operations concern VWT's EPC (Engineering, Procurement, Construction) business, discontinued in all regions, in the amount of -€145.2 million and net income in Gabon of €33.3 million (see Note 3.2).

3.4 Off-balance sheet commitments relating to the consolidation scope

3.4.1 Commitments given

Off-balance sheet commitments given break down as follows:

(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019	Maturing in: Less than 1 year	Maturing in: 1 to 5 years	Maturing in: More than 5 years
Vendor warranties	590.7	599.3	48.1	66.8	484.4
Securities purchase commitments	186.7	296.0	257.8	38.1	0.1
Sale commitments	0.3	0.3	0.3	-	-
Other commitments relating to the consolidated scope	23.0	0.5	-	-	0.5
TOTAL COMMITMENTS RELATING TO THE CONSOLIDATED SCOPE	800.7	896.1	306.2	104.9	485.0

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 €66.8 million.

No warranty has been given on the divestiture of district energy assets in the United States, in 2019.

Securities purchase commitments concern current acquisition processes and notably the takeover of Alcoa USA Corporation's hazardous waste treatment site in Gum Springs, Arkansas (United States), The transaction has been finalized for a consideration of €223.3 million (see also note 14).

Agreements with EDF: Further to the completion of the redistribution transaction on July 25, 2014, Veolia Environnement granted EDF a call option covering its Dalkia International, renamed Veolia Energie International, shares exercisable should an EDF competitor take control of this company. Likewise, EDF granted Veolia Environnement a call option covering all of its Dalkia France shares, exercisable should a Veolia Environnement competitor take control. This call option is not included in the above table. This 5-years call option expired on July 25, 2019.

3.4.2 Commitments received

Commitments received relating to the consolidated scope total €293.9 million as of December 31, 2019, compared with €248.4 million as of December 31, 2018 represented.

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 concessions, in the Water operating segment.

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.

The main financial indicators by operating segment are as follows:

2019 (€ million)	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total consolidated financial statements	Joint-ventures Data in Group share: Chinese concessions
Revenue	5,611.5	9,501.1	7,303.5	4,733.8	38.8	**27,188.7**	867.8
EBITDA	899.7	1,501.2	1,160.5	396.2	64.2	**4,021.8**	179.2
Operating income after share of net income (loss) of equity-accounted entities	139.9	654.0	589.2	129.6	(47.9)	**1,464.8**	109.1
Industrial investments net of subsidies	(298.5)	(559.5)	(632.9)	(164.2)	(20.9)	**(1,676.0)**	(135.0)

2018 re-presented (1) (€ million)	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total consolidated financial statements	Joint-ventures Data in Group share: Chinese concessions
Revenue	5,499.3	9,136.1	6,619.7	4,665.5	30.7	**25,951.3**	789.0
EBITDA	899.5	1,471.8	1,062.4	360.9	48.3	**3,842.9**	163.3
Operating income after share of net income (loss) of equity-accounted entities	90.8	725.0	596.0	60.8	(13.3)	**1,459.3**	96.0
Industrial investments net of subsidies	(306.4)	(501.7)	(518.1)	(138.1)	(19.4)	**(1,483.7)**	(103.4)

(1) 2018 adjustments concern the application of IFRS 16 and the inclusion of the Lithuania accounts presented in discontinued operations in 2018.

Assets and liabilities break down by operating segment as follows:

As of December 31, 2019 Assets by operating segment (€ million)	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total consolidated financial statements	Joint ventures data in Group share: Chinese concessions
Goodwill, net	1,233.5	2,333.6	799.9	757.7	3.3	**5,128.0**	255.1
Intangible assets and Property, Plant and equipment, net	2,012.3	6,724.2	4,171.6	1,082.4	243.9	**14,234.4**	1,851.8
Operating financial assets	183.6	919.3	404.4	9.9	-	**1,517.2**	4.7
Working capital assets, including DTA	2,811.7	3,037.5	2,697.8	2,609.5	(69.9)	**11,086.6**	253.9
Investments in joint ventures	3.8	22.3	1,439.1	31.8	0.7	**1,497.7**	-
Investments in associates	0.6	181.9	117.4	79.4	3.2	**382.5**	57.3
TOTAL SEGMENT ASSETS	6,245.5	13,218.8	9,630.2	4,570.7	181.2	33,846.4	2,422.8
Other unallocated assets	-	-	-	-	7,172.6	**7,172.6**	(716.0)
TOTAL ASSETS	-	-	-	-	-	41,019.0	1,706.8

As of December 31, 2018 re-presented Assets by operating segment (€ million)	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total consolidated financial statements	Joint-ventures Data in Group share: Chinese concessions
Goodwill, net	1,241.7	2,240.2	875.5	747.3	3.0	**5,107.7**	260.8
Intangible assets and Property, Plant and equipment, net	2,114.0	6,409.3	4,299.1	1,031.5	285.0	**14,138.9**	1,936.2
Operating financial assets	122.1	919.4	433.4	11.5	-	**1,486.4**	-
Working capital assets, including DTA	2,833.4	2,748.9	2,476.5	2,664.6	148.0	**10,871.5**	268.9
Investments in joint ventures	5.0	14.6	1,459.1	31.7	0.7	**1,511.1**	-
Investments in associates	0.3	179.8	110.3	77.0	2.9	**370.2**	12.3
TOTAL SEGMENT ASSETS	6,316.5	12,512.2	9,653.9	4,563.6	439.6	33,485.7	2,478.2
Other unallocated assets	-	-	-	-	5,808.5	**5,808.5**	(702.4)
TOTAL ASSETS	-	-	-	-	-	39,294.2	1,775.8

As of December 31, 2019 Liabilities by operating segment (€ million)	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total consolidated financial statements	Joint-ventures Data in Group share: Chinese concessions
Concession liabilities	76.6	1,454.3	18.9	0.2	-	**1,550.0**	30.0
Provisions for contingencies and losses	633.6	573.5	388.2	446.5	345.9	**2,387.7**	28.7
IFRS 16 liabilities	351.8	568.2	420.0	389.1	154.5	**1,883.6**	30.7
Working capital liabilities, including DTL	3,733.8	3,182.3	2,746.2	2,624.1	451.6	**12,738.0**	641.3
TOTAL SEGMENT LIABILITIES	4,795.8	5,778.3	3,573.3	3,459.9	952.0	18,559.3	730.7
Other unallocated liabilities	-	-	-	-	22,459.7	**22,459.7**	976.1
TOTAL LIABILITIES	-	-	-	-	-	41,019.0	1,706.8

As of December 31, 2018 re-presented* Liabilities by operating segment (€ million)	France	Europe excluding France	Rest of the World	Global Businesses	Other	Joint ventures data in Group share: Total consolidated financial statements	Chinese concessions
Concession liabilities	71.6	1,375.3	21.3	0.1	0.1	**1,468.4**	31.2
Provisions for contingencies and losses	620.5	564.0	409.9	421.6	279.8	**2,295.8**	28.7
IFRS 16 liabilities	401.0	539.8	472.4	382.3	185.7	**1,981.2**	33.6
Working capital liabilities, including DTL	3,649.4	2,833.4	2,553.7	2,462.1	543.4	**12,042.0**	769.7
TOTAL SEGMENT LIABILITIES	4,742.5	5,312.5	3,457.3	3,266.1	1,009.0	17,787.4	863.2
Other unallocated liabilities	-	-	-	-	21,506.8	**21,506.8**	912.6
TOTAL LIABILITIES	-	-	-	-	-	39,294.2	1,775.8

* *2018 adjustments concern the application of IFRS 16 (see Note 1.2.2 - New standards and interpretations) and the inclusion of Lithuania presented in discontinued operations in 2018.*

In application of IFRS 8.33, the revenue by destination geography is analyzed as follows:

(in € million)	2018 re-presented	% of 2018 revenue	2019	% of 2019 revenue
Revenue	**25,951.3**	**100.0%**	**27,188.7**	**100.0%**
France	7,904.4	30.5%	8,221.3	30.2%
United Kingdom	2,183.9	8.4%	2,264.5	8.3%
United States	2,121.0	8.2%	2,226.1	8.2%
Germany	1,939.1	7.5%	1,966.2	7.2%
Czech Republik	1,122.8	4.3%	1,155.4	4.2%
Poland	1,067.6	4.1%	1,095.3	4.0%
Australia	1,032.4	4.0%	1,059.7	3.9%
China	811.9	3.1%	947.2	3.5%
Italy	726.9	2.8%	788.7	2.9%
Morocco	701.6	2.7%	731.0	2.7%
Japan	484.8	1.9%	568.0	2.1%
Other < 500	5,854.9	22.5%	6,165.3	22.8%

Therefore, Revenue realized by destination in France may not be compared with the one presented for the operating segment "France".

The EBITDA indicator reconciles with the operating cash flow, for fiscal years 2019 and 2018, as follows:

(€ million)		2018 re-presented [1]	2019
Operating cash flow before changes in working capital	**(A)**	**3,122.9**	**3,255.1**
o/w Operating cash flow from financing activities	(B)	(22.8)	(34.1)
o/w Adjusted operating cash flow	**(C) = (A)-(B)**	**3,145.7**	**3,289.2**
Less:	(D)	-	-
Renewal expenses		**279.8**	**280.3**
Restructuring costs [2]		205.3	109.9
Share acquisition and disposal costs		19.5	90.7
Other		57.4	89.9
Plus:	(E)	-	-
Principal payments on operating financial assets		135.1	161.8
EBITDA	(C)+(D)+(E)	3,842.8	4,021.8

(1) 2018 adjustments concern the application of IFRS16 presented on the cash-flow line and the inclusion of the Lithunia accounts presented in discontinued operations.
(2) 2019 restructuring costs mainly concerns the VWT transformation plan in the amount of -€33.7 million, the France Water transformation plan oin the amount of -€14.8 million and the France RVD transformation plan in the amount of -€13.9 million. 2018 restructuring cost mainly concern France Water in the amount of -€84.5 million, VWT in the amount of -€52.3 million and Sade in the amount of -€15.6 million.

NOTE 5 OPERATING ACTIVITIES

The main environmental services carried out by Veolia in its business lines are:

- Water: drinking water treatment and distribution, wastewater treatment and the sale of water treatment equipment, technologies and facilities;
- Waste: waste collection, product recovery and waste-to-energy processing (including the sale of recycled products), dismantling and hazardous waste processing;
- Energy: 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.

Environmental services also include 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 its 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

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 plants. These contracts have an average term of 10 to 30 years.

Energy

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 public 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 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 IFRS 9, 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 IFRS 15);
- 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 users or when the concession grantor has not provided a contractual guarantee in respect of the recoverable amount, regardless of 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 7.2.1, 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 IFRS 15);
- 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 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.

Where this is the case, the investment amount guaranteed by the concession grantor is recognized under the financial asset model and the residual balance is recognized under the intangible asset model.

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 assets but remains subject to pricing regulations imposed by public authorities.

This is particularly the case in Eastern Europe where Veolia exercises this activity under mixed partial privatizations or public service management agreements between local subsidiaries and the public authorities in charge of the production and distribution of thermal energy.

Revenue from these activities is recognized in accordance with IFRS 15.

Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets (complex sections of installations, equipment) that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose.

This type of contract is often used for design and builds contracts for infrastructure necessary for water treatment/distribution and wastewater treatment activities. These contracts are entered into with local authorities or private partners for the construction of infrastructures. They are generally fixed-price contracts.

The Group's construction revenues are mainly recognized on a completion basis.

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. Where positive, this amount is recognized in assets in "Amounts due from customers for construction contract work" (in "Other operating receivables" as a contract asset). Where negative, it is recognized in liabilities in "Amounts due to customers for construction contract work" (in "Other operating payables" as a contract liability). Any loss to completion is recognized immediately through a provision.

Partial payments received under construction contracts before the corresponding work has been performed, are recognized as liabilities in the Consolidated Statement of Financial Position under "Other operating payables".

Service contracts including an asset lease (formerly governed by IFRIC 4 and now subject to IFRS 16)

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 the new standard, IFRS 16 (see Note 5.4).

Accordingly, construction revenue is recognized in accordance with the percentage of completion method and, more generally, the principles set out in IFRS 15.

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 IFRS 15;
- the financing of construction work involves finance costs that are invoiced to the customer and recognized in Revenue, under the heading "Revenue from operating financial assets". This interest is recognized in Revenue from the start of construction work and represents remuneration received by the builder/lender.

Operation and maintenance contracts

The services rendered by Veolia do not systematically require the construction or acquisition of new infrastructure and can be provided through a variety of contractual forms tailored to the objectives and choices of customers. These services may particularly take the form of contracts for the operation and/or maintenance of installations already owned by the customer or service contracts aimed at improving the performance of these installations.

Accordingly, Veolia operates waste-to-energy plants, water production and/or distribution installations and heating networks under this type of contract recognized in accordance with IFRS 15.

5.1 Revenue

Group Revenue is recognized for the amount the Group expects to receive in consideration for the transfer of control of goods and services.

The following table presents the revenue recognition method, rate and unit for the main environmental services provided by the Group:

	Contract					Revenue		
Environmental service	Concession	Regulated activity	Construction	Services including an asset lease	Operation	Revenue recognition method	Revenue recognition rate	Revenue measurement unit
Waste processing, water distribution, network operation, thermal services	✔	✔		✔	✔	Progressively	When the customer receives the benefit of the service	m^3 of water, metric ton of waste processed, Gwh, etc.
Sale of equipment, sale of recycled products	✔	✔		✔	✔	At a point in time	On physical delivery of the goods	Quantity sold
Design and build of infrastructures	✔		✔	✔		Progressively	As the customer obtains control of the asset being built	Completion basis

Infrastructure maintenance and renewal services

Installation maintenance and renewal services rarely represent a separate performance obligation. Nonetheless, a separate performance obligation may be identified in respect of maintenance services in concession arrangements recognized using the financial asset model or operating contracts, depending on the obligations contained in the contracts and the related remuneration terms.

Services on behalf of third parties

Few of the Group's activities are concerned by this provision and primarily combined energy purchase and distribution services.

For this type of contract, the Group determines whether it is acting on its own behalf (principal: recognition of gross revenue) or on behalf of a third party (agent: recognition of the margin), by analyzing in particular whether the Group has primary responsibility for performance of the service and whether it can freely set the price paid by the end customer.

Variable compensation

Variable consideration provided in contracts with customers can take several forms: rebates, discounts, penalties, incentives, performance bonuses. They are assessed on contract inception to determine the revenue amount to be recognized, applying either the expected value method or the most probable amount method.

Revenue by business

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 2019 and fiscal year 2018 presented for comparison purposes (see Note 3.3).

Revenue breaks down as follows:

(€ million)	2018 re-presented	2019
Water	10,894.1	11,142.1
Waste	9,598.6	10,166.7
Energy	5,458.6	5,879.9
GROUP	25,951.3	27,188.7

A breakdown of revenue by operating segment and region is presented in Note 4.

Backlog

The backlog, as required by IFRS 15, is equal to firm Revenue as contracted with customers, where the services have not yet been performed, or are only partially performed, at the reporting date.

After taking account of the exceptions provided in the standard (contracts with a term of less than one year, concession arrangements and service agreements, etc.), the backlog therefore primarily consists of Revenue from VWT construction contracts, with an average contractual period of 2 to 3 years.

As of December 31, 2019, expected revenue is as follows:

(in € million)	Total	2020	2021 and beyond
Backlog	1,805.0	1,040.3	764.7

5.2 Operating income

Operating income breaks down as follows:

(€ million)	2018 re-presented	2019
Revenue	**25,951.3**	**27,188.7**
Cost of sales	**(21,663.4)**	**(22,827.7)**
o/w:		
• Renewal expenses	(279.8)	(280.3)
Selling costs	**(610.9)**	**(610.6)**
General and administrative expenses	**(2,149.4)**	**(2,157.4)**
Other operating revenue and expenses	**(183.9)**	**(258.0)**
o/w:		
• Restructuring costs	(120.5)	(126.9)
• Employee costs - share based payments	(17.4)	(21.4)
• Other charges, impairment losses and net provisions non-current	(36.0)	(96.1)
• Share acquisition costs	(10.8)	(12.1)
Operating income before share of net income (loss) of equity-accounted entities	**1,343.7**	**1,335.0**
Share of net income (loss) of equity-accounted entities	**115.6**	**129.8**
Operating income after share of net income (loss) of equity-accounted entities	**1,459.3**	**1,464.8**

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 7.1.2.

Goodwill and other assets with an indefinite useful life are subject to systematic annual impairment tests following the update of the long-term plan and more frequent tests where there is an indication of loss in value.

Where the resulting recoverable amount is less than the net carrying amount of the asset or group of assets, an impairment is recorded.

Other expenses, impairment losses and charges to non-current provisions in **2019** break down as follows:

- impairment losses on intangible assets, property, plant and equipment and operating financial assets of -€20.4 million, recognized particularly in the Rest of the World in the amount of -€26.2 million;
- other charges and non-current provisions of -€75.7 million, particularly in the following operating segments:
  - Europe excluding France, in the amount of -€16.3 million,
  - the Rest of the world, in the amount of -€58.4 million.

Other expenses, impairment losses and charges to non-current provisions in **2018** break down as follows:

- Impairment losses on intangible assets, property, plant and equipment and operating financial assets of +€27.1 million, recognized particularly in the following operating segments:
  - France, in the amount of -€29.8 million,
  - Europe excluding France, in the amount of +€17.7 million,
  - the Rest of the world, in the amount of +€31.7 million;
- Other charges of -€63.1 million, particularly in the following operating segments:
  - France, in the amount of -€4.8 million,
  - Europe excluding France, in the amount of -€8.9 million,
  - Global businesses, in the amount of -€23.0 million,
  - the Rest of the world, in the amount of -€34.3 million.

More generally, operating depreciation, amortization, provisions and impairment losses included in operating income in **2019** break down as follows:

	2018 re-presented	2019		
(€ million)	Net	Charge	Reversal	Net
OPERATING DEPRECIATION, AMORTIZATION AND PROVISIONS, NET	-	-	-	-
Depreciation and amortization	**(1,982.0)**	**(2,060.8)**	**-**	**(2,060.8)**
Property, Plant and equipment*	(968.7)	(990.7)	-	(990.7)
Intangible assets	(608.7)	(624.9)	-	(624.9)
Rights of use	(404.6)	(445.2)	-	(445.2)
Impairment losses	**14.1**	**(71.2)**	**53.8**	**(17.4)**
Property, Plant and equipment	20.6	(39.8)	48.6	8.8
Intangible assets and Operating financial assets	(6.5)	(29.6)	5.2	(24.4)
Rights of use	-	(1.8)	-	(1.8)
Impairment losses and impact of disposals on goodwill and negative goodwill recognized in the consolidated income statement	**0.9**	**(1.8)**	**0.2**	**(1.6)**
Non-current and current operating provisions	**132.0**	**(610.0)**	**661.7**	**51.7**
Non-current operating provisions	(159.8)	(310.2)	130.4	(179.8)
Current operating provisions	291.8	(299.8)	531.3	231.5
OPERATING DEPRECIATION, AMORTIZATION, PROVISIONS AND IMPAIRMENT LOSSES	(1,835.0)	(2,743.8)	715.7	(2,028.1)

* *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.

(€ million)	2018 re-presented	2019
Restructuring costs	(205.3)	(109.9)
Net charges to restructuring provisions	84.8	(17.0)
RESTRUCTURING COSTS	(120.5)	(126.9)

Restructuring costs recognized in operating income in **2019** mainly concern France Water in the amount of -€14.8 million, France RVD in the amount of -€15.8 million and VWT in the amount of -€40.0 million.

Restructuring costs recognized in operating income in **2018** mainly concern France Water in the amount of -€9.6 million, SADE in the amount of -€13.2 million and VWT in the amount of -€44.9 million.

5.2.3 Research and development costs

Research and developments costs total €55.6 million in 2019 and €54.2 million in 2018.

5.2.4 Joint ventures and associates

All equity-accounted companies, whether joint ventures or associates, represent an extension of the Group's businesses and are therefore allocated to the four operating segments.

(€ million)	2018 re-presented	2019
Share of net income (loss) of joint ventures	71.4	89.3
Share of net income (loss) of associates	44.2	40.5
Share of net income (loss) of equity-accounted entities	**115.6**	**129.8**

5.2.4.1 Joint Ventures

Movements in investments in joint ventures in **2019** breaks down as follows:

(€ million)	As of December 31, 2018 re-presented	Net income	Dividend distribution	Change in consolidation scope	Foreign exchange translation	Other movements	As of December 31, 2019
Joint ventures	1,511.1	89.3	(56.8)	(62.6)	17.1	(0.4)	1,497.7

	Share of Equity		Share of net income (loss)	
(€ million)	December 31, 2018 re-presented	As of December 31, 2019	2018 re-presented	2019
Chinese concessions	1,346.3	1,335.2	55.1	63.4
Other joint ventures	164.8	162.5	16.3	25.9
TOTAL	1,511.1	1,497.7	71.4	89.3
Impact in the Consolidated Income Statement on Net income from continuing operations (a)+(b)			-	-
Share of net income (loss) of joint ventures (a)			**71.4**	**89.3**
Impairment losses recognized in other operating revenue and expenses (b)			-	-

Chinese concessions

As of December 31, 2019, the Chinese 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 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.

	As of December 31, 2018 re-presented	As of December 31, 2019
Current assets	1,515.8	1,613.4
Non-current assets	5,793.3	6,176.4
TOTAL ASSETS	7,309.1	7,789.8
Equity attributable to owners of the Company	3,098.2	3,224.0
Equity attributable to non-controlling interests	400.9	424.3
Current liabilities	2,457.4	2,551.4
Non-current liabilities	1,352.6	1,590.1
TOTAL EQUITY AND LIABILITIES	7,309.1	7,789.8
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	805.2	806.5
Current financial liabilities (excluding trade and other payables and provisions)	813.3	814.4
Non-current financial liabilities (excluding trade and other payables and provisions)	728.1	950.0
Income Statement	-	-
Revenue	2,336.9	2,517.9
Operating income	269.8	311.0
Net income (loss) from continuing operations	175.7	206.4
Post-tax net income (loss) from discontinued operations	-	-
Net income (loss) attributable to non-controlling interests	(26.2)	(28.2)
Net income (loss) attributable to owners of the Company at the Chinese concessions level	149.5	178.2
Net income (loss) for the year	175.7	206.4
Other comprehensive income for the year	(35.4)	57.4
Total comprehensive income for the year	140.3	263.8
The above net income (loss) for the year includes the following:	-	-
Depreciation and amortization	(177.2)	(187.7)
Interest income	11.3	13.5
Interest expense	(56.9)	(62.2)
Income tax (expense) income	(53.9)	(62.5)
Dividends	-	-
Dividends received from the joint venture	26.0	30.5

Reconciliation of the above summarized financial information on the Chinese concessions to the carrying amount of the interest in these joint ventures recognized in the consolidated financial statements:

(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019
Net assets of the Chinese concession joint ventures	3,098.2	3,224.0
Proportion of the Group's ownership interest in the Chinese concession joint ventures - weighted-average rate	37.44%	36.35%
Goodwill	236.5	227.2
Other adjustments	(50.1)	(64.0)
Carrying amount of the Group's interest in the Chinese concession joint ventures	**1,346.3**	**1,335.2**

As the Chinese 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 average rate used for the reconciliation of the different elements takes into account the Group's holdings in these different concessions, weighted by the relative importance of each of the entities to the whole. This rate is therefore adjusted each year and is sensitive to variations in the weight of the contributions to the results of each of the joint ventures within the presented set.

The evolution in the weighted average rate between 2018 and 2019 is due to a combination of two impacts:

- changes in scope tied to the Changzou and Tianjin CGE Water transactions;
- a change in the weightings of the contributions.

Accordingly, the "Other adjustments" line in the reconciliation of the summarized financial information on the Chinese 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 concessions and the share in net assets recognized in the financial statements, calculated using the effective interest held in each of the Chinese concessions individually.

(€ million)	2018 re-presented	2019
Net income (loss) for the year of the Chinese concession joint ventures	149.5	178.2
Proportion of the Group's ownership interest in the Chinese concession joint ventures - weighted-average rate	37.44%	36.35%
Other	(0.9)	(1.4)
Group share of net income (loss) of the Chinese concession joint ventures	**55.1**	**63.4**

The recoverable amount of each Chinese concession joint venture is tested for impairment in accordance with the provisions set out in the standard. The long-term plans of the Chinese 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 €162.5 million as of December 31, 2019.

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, 2019 and 2018, current and non-current loans granted to all these entities totaled €159.5 million and €132.0 million, respectively. The loans were mainly granted to the Chinese Water concessions in the amount of €99.5 million and €77.1 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

Movements in investments in associates in **2019** breaks down as follows:

(€ million)	As of December 31, 2018 re-presented	Net income	Dividend distribution	Change in consolidation scope	Foreign exchange translation	Other movements	As of December 31, 2019
Investments in associates	**370.2**	40.5	(37.9)	3.9	1.7	4.1	**382.5**

	Share of equity		Share of net income(loss)	
(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019	As of December 31, 2018 re-presented	2019
Fovarosi Csatomazasi Muvek	78.2	76.7	(0.2)	0.8
Siciliacque	58.9	59.1	-	-
Wasserversorg, in Mitteldeutschland GmbH	37.6	38.0	0.2	0.3
Ajman Sewerage Co. Ltd	29.5	31.4	5.6	7.5
Other non-material associates (2)	166.0	177.3	38.6	31.9
TOTAL	370.2	382.5	44.2	40.5
Impacts on the Consolidated Income Statement				
Share of net income (loss) of equity-accounted entities in continuing operations			44.2	40.5
Impairment losses recognized in other operating revenue and expenses (1)			-	-
Share of net income (loss) of other equity-accounted entities			-	-

(1) Impairment of goodwill pertaining to associates.
(2) Associates with a value below €15 million as of December 31, 2019.

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. The Group applies the simplified approach to the impairment of commercial receivables, in accordance with the option available in IFRS 9. The Group uses a provision matrix that takes account of the business, geographic region and customer category in question. When preparing this matrix, the Group considered late payment and default rates observed in the past, as well as the macro-economic environment. The matrix is updated to reflect changes in economic factors.

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 **2019** are as follows:

(€ million)	December 31, 2018 re-presented	Change in business	Impairment losses	Changes in scope of consolidation	Foreign exchange translation	Other movements	As of December 31, 2019
Inventories and work-in-progress, net	818.0	74.2	(14.8)	(0.2)	4.9	(90.1)	792.0
Operating receivables, net	9,010.1	97.2	(54.1)	32.0	62.9	193.6	9,341.7
Operating payables	(10,999.4)	(557.9)	-	(36.3)	(77.3)	(82.7)	(11,753.6)
NET WORKING CAPITAL	(1,171.3)	(386.5)	(68.9)	(4.5)	(9.5)	20.8	(1,619.9)

Movements in each of these working capital categories in **2019** are as follows:

(€ million)	As of December 31, 2018 re-presented	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, 2019
Inventories and work-in-progress, net	818.0	74.2	(14.8)	(0.2)	4.9	2.2	(92.3)	792.0
Operating receivables (including tax receivables other than current tax) (1)	8,828.0	110.2	(55.1)	36.4	63.0	8.7	186.2	9,177.4
Operating liabilities (including operating liabilities other than current tax) (1)	(10,531.5)	(407.6)	-	(55.5)	(74.3)	(1.7)	(78.0)	(11,148.6)
OPERATING WORKING CAPITAL (2)	(885.5)	(223.2)	(69.9)	(19.3)	(6.4)	9.2	15.9	(1,179.2)
Tax receivables (current tax)	160.4	(39.9)	-	2.4	(0.4)	-	(1.1)	121.4
Tax payables (current tax)	(157.6)	(49.0)	-	(4.5)	(0.8)	(2.7)	(0.7)	(215.3)
TAX WORKING CAPITAL	2.8	(88.9)	-	(2.1)	(1.2)	(2.7)	(1.8)	(93.9)
Receivables on non-current assets disposals	21.7	26.9	1.0	(6.8)	0.2	-	(0.1)	42.9
Industrial investment payables	(310.3)	(101.3)	-	23.7	(2.1)	-	0.3	(389.7)
INVESTMENT WORKING CAPITAL	(288.6)	(74.4)	1.0	16.9	(1.9)	-	0.2	(346.8)
NET WORKING CAPITAL	(1,171.3)	(386.5)	(68.9)	(4.5)	(9.5)	6.5	14.3	(1,619.9)

(1) Including the assets and liabilities of contracts described in note 5.6.
(2) 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 **2019** are as follows:

Stocks (€ million)	As of December 31, 2018 re-presented	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, 2019
Raw materials and supplies	586.6	41.7	-	-	(2.3)	4.0	2.8	(0.4)	632.4
Work-in-progress	187.5	14.6	-	-	1.8	0.7	-	(93.7)	110.9
Other inventories (1)	103.8	17.9	-	-	1.7	0.8	0.4	(0.1)	124.5
INVENTORIES AND WORK-IN-PROGRESS, GROSS	877.9	74.2	-	-	1.2	5.5	3.2	(94.2)	867.8
IMPAIRMENT LOSSES ON INVENTORIES AND WORK-IN-PROGRESS	(59.9)	-	(44.3)	29.5	(1.4)	(0.6)	(1.0)	1.9	(75.8)
INVENTORIES AND WORK-IN-PROGRESS, NET	818.0	74.2	(44.3)	29.5	(0.2)	4.9	2.2	(92.3)	792.0

(1) Including CO_2 inventories.

Inventories mainly concern the Europe excluding France operating segment in the amount of €363.7 million, the Global Businesses operating segment in the amount of €152.8 million and the Rest of the World operating segment in the amount of €165.7 million.

Movements in operating receivables during **2019** are as follows:

Operating receivables (€ million)	As of December 31, 2018 re-presented	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, 2019
Trade receivables	7,283.4	151.8	-	-	11.2	49.4	4.4	197.8	7,698.0
Impairment losses on trade receivables	(772.7)	-	(193.1)	138.6	(11.5)	(6.1)	(2.5)	(1.2)	(848.5)
TRADE RECEIVABLE, NET (2)	6,510.7	151.8	(193.1)	138.6	(0.3)	43.3	1.9	196.6	6,849.5
Contracts assets	603.6	2.6	-	-	18.2	13.3	-	-	637.7
Losses on contracts assets	-	-	-	-	-	-	-	-	-
NET CONTRACTS ASSETS	603.6	2.6	-	-	18.2	13.3	-	-	637.7
Other current operating receivables	636.7	101.4	-	-	3.6	4.2	4.7	(15.4)	735.2
Impairment losses on other current operating receivables	(74.3)	-	(3.4)	3.2	(3.5)	(0.5)	(0.1)	4.3	(74.3)
OTHER OPERATING RECEIVABLES, NET	562.4	101.4	(3.4)	3.2	0.1	3.7	4.6	(11.1)	660.9
Other receivables (2)	235.4	(2.5)	-	0.6	4.9	2.5	2.2	1.9	245.0
Tax receivables	1,098.0	(156.1)	-	-	9.1	0.1	-	(2.5)	948.6
OPERATING RECEIVABLES, NET	9,010.1	97.2	(196.5)	142.4	32.0	62.9	8.7	184.9	9,341.7

(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 **2019** are as follows:

Operating payables *(€ million)*	As of December 31, 2018 re-presented	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, 2019
Trade payables	4,748.2	270.7	34.7	36.4	-	(54.1)	5,035.9
Other current operating liabilities	3,941.6	181.4	(25.8)	21.4	1.8	114.5	4,234.9
Contracts liabilities (1)	963.1	50.2	18.1	7.2	-	13.6	1,052.2
Other liabilities (2)	188.0	(3.0)	0.2	8.0	-	-	193.2
Tax and employee-related liabilities	1,158.5	58.6	9.1	4.3	2.6	4.3	1,237.4
OPERATING PAYABLES	10,999.4	557.9	36.3	77.3	4.4	78.3	11,753.6

(1) Contract assets and liabilities described in note 5.6.
(2) 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 2019.

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 €3,895.2 million were assigned under these programs in 2019, compared with €2,882.4 million in 2018. Receivables derecognized as of December 31, 2019 total €795.0 million, compared with €640.2 million as of December 31, 2018.

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 IFRS 16) 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 IFRS 9. 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 €45.5 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, 2019 in respect of these contracts (€52.4 million and €53.4 million, respectively, as of December 31, 2018).

In 2019, the Group also assigned tax credits totaling €98.9 million (Research tax credit), through discounting, compared with €148.7 million as of December 31, 2018. These receivables were derecognized in the Statement of Financial Position at the end of 2019.

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 IFRS 16 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 is recognized in the Consolidated Income Statement, in accordance with the percentage of completion method laid down in IFRS 15 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, as, in accordance with IFRS 9, they represent the right to receive contractual cash flows and have the characteristics of a loan.

After a review of the contract and its financing, the implied interest rate on the financial receivable is notably based on either the Group financing rate and/or the borrowing rate associated with the contract.

Leases

IFRS 16 requires the identification of 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 (right of use analyzed as a transfer of control of a group of assets during the contract term). A lease component is thereby identified in these agreements, which is then analyzed and recognized in accordance with the criteria laid out in this standard.

The contract operator (Veolia) therefore becomes the lessor with respect to its customers. On contract signature, Veolia now determines whether the terms of the contract constitute a finance lease or an operating lease.

To this end, Veolia performs a comprehensive analysis to determine whether the lease transfers substantially all the risks and rewards inherent to ownership of the underlying asset to the customer (the lessee).

The following indicators in particular are considered when performing this analysis: (i) the lease transfers ownership of the asset to the customer by the end of the lease term, (ii) the lease term is for the major part of the economic life of the underlying asset, (iii) the present value of the lease payments amounts to at least substantially all of the fair value of the asset, or (iv) the asset is of such a specialized nature that only the customer can use it without major modifications.

If this analysis leads to the conclusion that the lease is a finance lease, Veolia does not recognize a tangible asset but an operating financial asset to reflect the corresponding financing. Breakdown of operating financial assets by operating segment:

As of December 31

	Non-current		Current		Total	
(€ million)	2018 re-presented	2019	2018 re-presented	2019	2018 re-presented	2019
France	114.6	175.9	7.5	7.7	122.1	183.6
Europe excluding France	870.7	868.1	48.7	51.2	919.4	919.3
Rest of the World	392.6	378.7	40.8	25.7	433.4	404.4
Global businesses	9.2	8.5	2.3	1.4	11.5	9.9
Other	-	-	-	-	-	-
OPERATING FINANCIAL ASSETS	1,387.1	1,431.2	99.3	86.0	1,486.4	1,517.2
OF WHICH IFRIC 12 OPERATING FINANCIAL ASSETS	1,081.4	1,132.8	53.0	57.1	1,134.4	1,189.9
OF WHICH IFRS 16 OPERATING FINANCIAL ASSETS	305.7	298.4	46.3	28.9	352.0	327.3

Movements in the net carrying amount of non-current and current operating financial assets during **2019** are as follows:

(€ million)	December 31, 2018 re-presented	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, 2019
Non-Current And Current I12 Operating Financial Assets	1,134.4	130.4	(88.0)	(1.2)	-	14.7	-	(0.4)	1,189.9
Non-Current And Current I16 Operating Financial Assets	352.0	46.8	(73.8)	-	(2.2)	1.1	-	3.4	327.3
NON-CURRENT AND CURRENT OPERATING FINANCIAL ASSETS	**1,486.4**	**177.2**	**(161.8)**	**(1.2)**	**(2.2)**	**15.7**	**-**	**3.1**	**1,517.2**

(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 (€177.9 million net of acquisition debt thus €0.7 million) as of December 31, 2019.

The principal **new** operating financial assets in 2019 mainly concern the increase in financial receivables for pre-existing contracts, in particular in the following operating segments:

- France, in the amount of €85.8 million, primarily following investments in the Troyes incineration plant of €30 million;
- Europe excluding France, in the amount of €52.4 million, primarily following investments in Germany under the Braunschweig contract of €24.2 million;
- the Rest of the World, in the amount of €37.7 million, primarily following investments by Veolia Energy North America to maintain the cogeneration plant in Virginia of €21.1 million.

The principal **repayments and disposals** of operating financial assets in 2019 concern the following operating segments:

- Europe excluding France, in the amount of -€67.6 million;
- the Rest of the World, in the amount of -€66.6 million;
- France, in the amount of -€24.5 million.

Foreign exchange translation gains and losses on current and non-current operating financial assets mainly concern movements in the pound sterling (+€15.8 million), the Chinese renminbi (+€1.9 million) and the Korean won (-€2.5 million) against the euro.

(€ million)	re-presented	New operating financial assets	Repayments / disposals	Impairment losses	Changes in consolidation scope	Foreign exchange translation	Non-current/ Current reclassification	Other movements	As of December 31, 2019
Gross	1,099.7	128.0	(2.7)	-	-	13.8	(61.5)	(25.0)	1,152.3
Impairment losses	(18.3)	-	-	(1.2)	-	-	-	-	(19.5)
NON-CURRENT I12 OPERATING FINANCIAL ASSETS	**1,081.4**	**128.0**	**(2.7)**	**(1.2)**	**-**	**13.8**	**(61.5)**	**(25.0)**	**1,132.8**
Gross	53.0	2.4	(85.3)	-	-	0.9	61.5	24.6	57.1
Impairment losses	-	-	-	-	-	-	-	-	-
CURRENT I12 OPERATING FINANCIAL ASSETS	**53.0**	**2.4**	**(85.3)**	**-**	**-**	**0.9**	**61.5**	**24.6**	**57.1**
NON-CURRENT AND CURRENT I12 OPERATING FINANCIAL ASSETS	**1,134.4**	**130.4**	**(88.0)**	**(1.2)**	**-**	**14.7**	**-**	**(0.4)**	**1,189.9**

(€ million)	As of December 31, 2018 re-presented	New operating financial assets	Repayments / disposals	Impairment losses	Changes in consolidation scope	Foreign exchange translation	Non-current/ Current reclassification	Other movements	As of December 31, 2019
Gross	363.8	46.8	(0.9)	-	(1.9)	1.0	(47.2)	(6.5)	355.1
Impairment losses	(58.1)	-	-	1.5	-	-	-	(0.1)	(56.7)
NON-CURRENT I4 OPERATING FINANCIAL ASSETS	305.7	46.8	(0.9)	1.5	(1.9)	1.0	(47.2)	(6.6)	298.4
Gross	49.0	-	(72.9)	-	(0.3)	0.1	47.2	10.0	33.1
Impairment losses	(2.7)	-	-	(1.5)	-	-	-	-	(4.2)
CURRENT I4 OPERATING FINANCIAL ASSETS	46.3	-	(72.9)	(1.5)	(0.3)	0.1	47.2	10.0	28.9
NON-CURRENT AND CURRENT I4 OPERATING FINANCIAL ASSETS	352.0	46.8	(73.8)	-	(2.2)	1.1	-	3.4	327.3

IFRIC 12 operating financial assets maturity schedule:

(€ million)	1 year	2 years	3 years	4 years	5 years	more than 5 years	Total
France	7.7	116.1	9.0	14.6	15.6	20.5	183.5
Europe excluding France	34.1	268.3	69.0	19.5	16.2	418.1	825.2
Rest of the World	15.3	33.2	22.8	29.9	15.7	64.3	181.2
Global businesses	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
TOTAL	57.1	417.6	100.8	64.0	47.5	502.9	1,189.9

IFRS 16 operating financial assets maturity schedule:

(€ million)	1 year	2 years	3 years	4 years	5 years	more than 5 years	Total
France	-	-	-	-	-	-	-
Europe excluding France	17.1	14.7	23.6	8.8	7.8	22.1	94.1
Rest of the World	10.4	47.6	5.8	5.9	6.2	147.4	223.3
Global businesses	1.4	3.0	1.1	0.9	0.9	2.6	9.9
Other	-	-	-	-	-	-	-
TOTAL	28.9	65.3	30.5	15.6	14.9	172.1	327.3

Operating financial assets held by the Group in countries considered high-risk by the International Monetary Fund are not material in amount.

5.5 Non-current and current concession liabilities

Concession financial liabilities result from the application of IFRIC 12 on the accounting treatment of concessions (see note 5).

Non-current and current concession liabilities in **2019** break down, by operating segment, as follows:

	As of December 31					
	Non-current		Current		Total	
(€ million)	2018 re-presented	2019	2018 re-presented	2019	2018 re-presented	2019
France	56.2	61.8	15.4	14.8	71.6	76.6
Europe excluding France	1,288.9	1,344.2	86.4	110.1	1,375.3	1,454.3
Rest of the World	5.3	15.7	16.1	3.2	21.4	18.9
Global businesses	-	-	0.1	0.2	0.1	0.2
Other	-	-	-	-	-	-
CONCESSION LIABILITIES	1,350.4	1,421.7	118.0	128.3	1,468.4	1,550.0

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5.6 Contract assets and liabilities

Non-current and current contract assets represent services rendered by the Group but not yet billed, where the right to remuneration is conditional. These assets are mainly receivables recognized on a percentage completion basis in respect of construction activities, concession contracts including construction services or public or private service contracts including a construction component (concession or industrial BOT contract).

Non-current and current contract liabilities mainly reflect amounts already settled by customers for which the Group has not yet performed the service (deferred income, down payments received from customers). These liabilities are recognized in revenue when the Group performs the service.

Contract assets and liabilities break down as follows:

	As of December 31			
	Contract assets		Contract Liabilities	
(€ million)	2018 re-presented	2019	2018 re-presented	2019
France	9.4	29.3	93.6	100.9
Europe excluding France	110.9	92.1	332.4	372.9
Rest of the World	59.9	110.5	299.1	348.1
Global businesses	422.9	405.8	238.0	230.3
Other	0.5	-	-	-
TOTAL	603.6	637.7	963.1	1,052.2

Contract assets and liabilities are mainly included in Operating receivables, Operating financial assets and Operating payables in the Consolidated Statement of Financial Position.

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:

  In the context of its business activities the Group gives (and receives) commitments which can take several forms (deposits on construction works and performance guarantees). Issued in favor of customers or banking institutions, they are subject to individual follow-up by site and their maturity depends on their contractual characteristics.

- 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.

  Commodity risks are described in Note 8.3.1.3.

  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 5 years,
  - electricity in Energy activities (purchase commitments mature in less than 3 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 3 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:

(€ million)	December 31, 2018 re-presented	As of December 31, 2019	Maturing in		
			Less than 1 year	1 to 5 years	More than 5 years
Operational guarantees including performance bonds	7,982.3	8,272.0	3,827.5	2,563.4	1,881.1
Purchase commitments	204.4	205.4	139.5	64.9	1.0
TOTAL COMMITMENTS RELATING TO OPERATING ACTIVITIES	8,186.7	8,477.4	3,967.0	2,628.3	1,882.1

(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019
France	230.4	276.7
Europe excluding France	1,406.2	1,598.4
Rest of the World	1,474.1	1,349.4
Global businesses	2,452.3	2,617.2
Other	2,623.7	2,635.7
TOTAL COMMITMENTS RELATING TO OPERATING ACTIVITIES	8,186.7	8,477.4

The increase in commitments given between December 31, 2018 and December 31, 2019 (+€341.4 million) mainly concerns the “Al Dur” project (+€171.0 million), the “Umm Al Quwain” project (+€287.0 million) and the “Rabigh 3” project (+€116.0 million).

In addition to the commitments given quantified above, Veolia has also granted commitments of an unlimited amount in respect of completion or performance bonds and a waste construction and treatment contract in Hong Kong, in the Waste and Water businesses. This commitment, with unlimited consideration, is related to the contract duration: 37 months of construction and 15 years of operations, i.e. as of December 31, 2019 a residual duration of 9 years.

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 Veolia Water Technologies construction activities amount to €2,185.5 million as of December 31, 2019, compared with €2,037.5 million as of December 31, 2018.

Commitments given in respect of joint ventures (at 100%) total €619.7 million as of December 31, 2019 compared with €600.2 million as of December 31, 2018 and mainly consist of performance bonds given to Al Wathba VB in the amount of €422.5 million and to Glen Water Holding in the amount of €76.7 million.

5.8.2 Commitments received

These commitments mainly consist of commitments received from our partners in respect of construction contracts.

They total €683.6 million as of December 31, 2019, compared with €1,054.6 million as of December 31, 2018. The movement between December 31, 2018 and 2019 is due to the Shell Qatar guarantee for -€289.3 million.

Total commitments received in respect of Veolia Water Technologies activities amount to €110.5 million as of December 31, 2019, compared with €511.0 million as of December 31, 2018.

NOTE 6 PERSONNEL COSTS AND EMPLOYEE BENEFITS

6.1 Personnel costs and employee numbers

Personnel costs break down as follows:

(€ million)	2018 re-presented	2019
Employee costs	(7,158.7)	(7,515.4)
Profit-sharing and incentive schemes	(114.2)	(126.3)
Share-based compensation (IFRS2)*	(18.8)	(26.2)
PERSONNEL COSTS	(7,291.7)	(7,667.9)

* *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	2018 re-presented	2019
France	30,882	30,497
Europe excluding France	57,701	58,383
Rest of the World	52,630	58,382
Global businesses	27,731	28,912
Other	1,875	1,847
CONSOLIDATED EMPLOYEES*	170,819	178,021

By company	2018 re-presented	2019
Fully-consolidated companies	170,722	177,921
Joint operations	97	100
Consolidated employees*	170,819	178,021

* *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 instruments is determined at the grant date and the fair value of the plan is expensed in the Consolidated Income Statement and recognized directly in equity over the period in which the benefit vests and the service is rendered.

For share grant plans, the fair value of instruments is calculated based on the share price at the grant date and the expected dividend yield. Where beneficiaries are required to hold shares beyond the vesting period, the expense includes a discount for non-transferability.

With regard to Group Savings Plans (GSP), the Veolia Group applies CNC recommendations (press release of December 21, 2004 on Company Savings Plans and complement of February 2, 2007). The GSP compensation expense corresponds to the discount and the Company's contribution to subscribers. It also takes account of the requirement to hold shares for five years.

The discount for non-transferability is calculated as the difference in value between a forward sale of shares at the end of the lock-in period and the spot purchase of the same number of shares, financed by a loan.

6.2.2 Share-based compensation expense

The share-based compensation expense breaks down as follows:

(in € million)	2018 re-presented	2019
Employee savings plan	14.2	10.0
2018 Performance share grant plan	4.4	9.5
2019 Performance share grant plan	-	2.8
2018 Free share grant plan	0.8	3.9
Other	(0.6)	-
TOTAL INCLUDING SOCIAL COSTS	18.8	26.2

It is recalled that the Management Incentive Plan expired in 2018. It did not have a material impact on the Group financial statements in 2018.

6.2.2.1 2019 Employee Savings Plans

Veolia Environnement regularly sets up, through Group Savings Plans (GSP), in France and internationally, 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.

In 2019, Veolia Environnement proposed a new Group employee share ownership transaction, rolled-out across 30 countries.

Under this transaction, shares were subscribed by employees with a 20% discount on the average opening price of the share during the 20 trading days preceding the date of the subscription price was set by the Chief Executive Officer. The subscription price was set at €17.44.

Under the so-called “secure” format, employees received a gross contribution from the Group equal to 100% of the employee’s investment up to a maximum of €300. This personal investment and the net contribution from the Group are guaranteed in the event of a fall in the share price and receive a guaranteed minimum return.

In the United Kingdom, a Share Incentive Plan (SIP) was alternatively implemented, enabling employees to subscribe at the lower of the share price on July 1, 2019 and the share price on December 13, 2019, while benefiting from a contribution from the Group capped at GBP 250.

On November 15, 2019, Veolia Environnement issued 1,440,918 new shares under the Group Savings Plan, representing a share capital increase of €25.1 million.

In 2019, an expense of €10.0 million is recorded in operating income.

6.2.2.2 2019 Performance Share Grant Plans

In 2019, the Group granted 1,131,227 performance shares (PS) to executives and employees of the Group, subject to the beneficiary’s presence in the Group on April 30, 2022 and a performance condition based on the following criteria:

- an economic criterion (average increase in Current net income attributable to owners of the Company per share);
- a stock market criterion (relative performance of the total shareholder return (TSR) of the Veolia Environnement share compared with the CAC 40 index);
- CSR criteria (growth in circular economy revenue and performance of the Group compared with companies in the Utilities sector of the FTSE4GOOD non-financial index).

Taking account of these characteristics and market conditions at the plan implementation date, the fair value of the instruments was estimated at €17.14.

The performance and presence conditions are taken into account in estimating the compensation expense.

An expense of €2.8 million is recorded in operating income in 2019.

6.2.2.3 Plans Implemented Before 2019

Veolia implemented the following plans in previous years:

- **2018 Employee Savings Plans:** In 2018, Veolia proposed a new Group employee share ownership transaction, rolled-out across 29 countries. This plan expired on December 31, 2018 and therefore had no impact on the Group financial statements in 2019;
- **2018 Performance Share Grant Plans**: the Group set-up a performance share grant plan (PSP) subject to the beneficiary’s presence in the Group at the vesting date on May 2, 2021 and a performance condition. An expense of €9.5 million is recorded in operating income in 2019;

- **Free Share Grant Plan**: in 2018, the Group granted approximately 250,000 free shares to employees in France, subject to the beneficiary's presence in the Group on expiry of the plan on May 2, 2019. Beneficiaries are required to hold the shares for a period of two years from the vesting date, that is until May 2, 2021. This plan has expired as of December 31, 2019. An expense of €3.9 million is recorded in operating income in 2019.

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 €96.6 million in 2019 and €92.9 million in 2018.

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 €1,177.7 million as of December 31, 2019 (compared with €1,019.2 million as of December 31, 2018) and is funded by plan assets of €1,189.4 million at this date (compared with €990.6 million as of December 31, 2018 re-presented). 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 17 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 €464.2 million as of December 31, 2019 (€413.2 million as of December 31, 2018 re-presented) and is funded by plan assets of €80.6 million at this date (€82.0 million as of December 31, 2018 re-presented). The increase in the defined benefit obligation is presented in the table below in Note 6.3.3.

Nearly 85% 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 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 linked to the renegotiation of collective bargaining agreements which could generate adjustments to the 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 revised. The multi-employer plans concern approximately 2,200 employees in 2019 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 €8.3 million in 2019, compared with €6.6 million in 2018 represented.

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, 2018	As of December 31, 2019
Discount rate	**2.46%**	**1.57%**
United Kingdom	*2.90%*	*2.05%*
Euro zone	*1.85%*	*0.85%*
Inflation rate	**2.32%**	**2.25%**
United Kingdom (RPI / CPI)	*3.15% / 2.15%*	*2.90% / 1.90%*
Euro zone	*1.50%*	*1.50%*

6.3.3.2 Change In The Defined Benefit Obligation (Dbo)

	As of December 31							
	United Kingdom		France		Other countries		Total	
Change in the DBO *(€ million)*	2018 re-presented	2019	2018 re-presented	2019	2018 re-presented	2019	2018 re-presented	2019
Defined benefit obligation at beginning of year	**1,112.6**	**1,019.2**	**409.4**	**413.2**	**492.7**	**473.0**	**2,014.7**	**1,905.4**
Current service cost	3.8	2.6	19.9	20.1	21.5	22.4	45.2	45.1
Plan amendments or new plans (contract wins)	6.7	0.3	2.7	0.5	(0.8)	(1.5)	8.6	(0.7)
Curtailments and settlements	(30.7)	18.5	(3.4)	(1.2)	(10.7)	(9.4)	(44.8)	7.9
Interest cost	27.9	29.1	6.2	6.7	8.2	8.9	42.3	44.7
Actuarial (gains) losses	(50.9)	98.7	(3.4)	43.0	(9.0)	50.7	(63.3)	192.4
o/w actuarial (gains) losses arising from experience adjustments	*3.6*	*(3.3)*	*(2.2)*	*(4.0)*	*4.9*	*2.6*	*6.3*	*(4.7)*
o/w actuarial (gains) losses arising from changes in demographic assumptions	*(7.3)*	*(21.8)*	*2.0*	*0.7*	*(2.2)*	*1.9*	*(7.5)*	*(19.2)*
o/w actuarial (gains) losses arising from changes in financial assumptions	*(47.2)*	*123.8*	*(3.2)*	*46.3*	*(11.7)*	*46.2*	*(62.1)*	*216.3*
Plan participants' contributions	0.3	0.3	-	-	1.5	1.5	1.8	1.8
Benefits paid	(42.4)	(40.5)	(18.9)	(17.6)	(26.6)	(30.9)	(87.9)	(89.0)
Benefits obligation assumed on acquisition of subsidiaries	-	-	0.8	1.3	5.3	0.9	6.1	2.2
Benefits obligation transferred on divestiture of subsidiaries	-	-	-	(1.3)	(19.6)	(9.9)	(19.6)	(11.2)
Foreign exchange translation	(8.1)	55.4	-	-	10.0	8.7	1.9	64.1
Other	-	(5.9)	(0.1)	(0.5)	0.5	(17.8)	0.4	(24.2)
(a) Defined Benefit Obligation at the end of year	**1,019.2**	**1,177.7**	**413.2**	**464.2**	**473.0**	**496.6**	**1,905.4**	**2,138.5**

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 €322 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 €398 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 €185 million and the current service cost by €6 million. A 1% decrease in the inflation rate would decrease the defined benefit obligation by €174 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	
(€ million)	2018 re-presented	2019	2018 re-presented	2019	2018 re-presented	2019	2018 re-presented	2019
(a) Defined Benefit Obligation at the end of year	1,019.2	1,177.7	413.2	464.2	473.0	496.6	1,905.4	2,138.5
(b) Fair value of plan assets at end of year	990.6	1,189.4	82.0	80.6	205.5	206.2	1,278.1	1,476.2
Funding status = (b) – (a)	**(28.6)**	**11.7**	**(331.2)**	**(383.6)**	**(267.5)**	**(290.4)**	**(627.3)**	**(662.3)**
Provisions	(45.0)	(18.3)	(331.4)	(383.8)	(267.8)	(290.9)	(644.2)	(693.0)
Prepaid benefits (regimes with a funding surplus)	16.4	30.0	0.2	0.2	0.3	0.5	16.9	30.7

Provisions for post-employment benefits total €693.0 million, compared with €644.2 million in 2018.

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							
	United Kingdom		France		Other countries		Total	
Change in plan assets *(€ million)*	2018 re-presented	2019	2018 re-presented	2019	2018 re-presented	2019	2018 re-presented	2019
Fair value of plan assets at beginning of the year	**1,073.3**	**990.6**	**89.6**	**82.0**	**210.1**	**205.5**	**1,373.0**	**1,278.1**
Actual return on plan assets	(25.1)	145.3	2.2	2.3	(11.5)	26.3	(34.4)	173.9
o/w interest income	*27.2*	*29.0*	*1.5*	*1.5*	*2.3*	*3.0*	*31.0*	*33.5*
o/w return on plan assets excluding amounts included in interest income	*(52.3)*	*116.3*	*0.7*	*0.8*	*(13.8)*	*23.3*	*(65.4)*	*140.4*
Employer contributions	21.2	20.9	0.1	0.2	6.6	7.6	27.9	28.7
Plan participants' contributions	0.3	0.3	-	-	1.5	1.5	1.8	1.8
Benefits obligation assumed on acquisition of subsidiaries	-	-	-	-	2.6	-	2.6	-
Benefits obligation transferred on divestiture of subsidiaries	-	-	-	-	-	(2.2)	-	(2.2)
Settlements	(28.8)	17.2	-	-	-	(0.5)	(28.8)	16.7
Benefits paid	(42.2)	(40.3)	(9.6)	(3.8)	(9.6)	(18.7)	(61.4)	(62.8)
Administrative expenses paid by the fund	(0.1)	-	-	-	(0.1)	(0.2)	(0.2)	(0.2)
Foreign exchange translation	(7.9)	55.4	-	-	5.6	5.4	(2.3)	60.8
Other	(0.1)	-	(0.3)	(0.1)	0.3	(18.5)	(0.1)	(18.6)
(b) Fair value of plan assets at end of the year	**990.6**	**1,189.4**	**82.0**	**80.6**	**205.5**	**206.2**	**1,278.1**	**1,476.2**

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.

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.

For the entire Group, the actual rate of return on plan assets reflects market performance based on the asset investment profiles. In 2019, growth assets were mainly impacted by the good performance of assets in the United Kingdom (+€143.5 million).

The Group plans to make contributions of €28.1 million to defined benefit plans in 2020.

Investment and return on assets

On average, Group pension plan assets were invested as follows:

	2018 re-presented	2019
Unquoted assets	**13.2%**	**10.6%**
Liquid unquoted assets - Investment funds (general insurance fund)	8.7%	7.6%
Non-liquid unquoted assets - Investment funds*	3.3%	2.3%
Unquoted assets - Other	1.2%	0.7%
Quoted assets (liquid)	**82.3%**	**86.8%**
Government bonds**	27.5%	29.5%
Corporate bonds	2.8%	5.6%
Shares	4.7%	1.6%
Diversified Investment funds	44.6%	48.7%
Liquid quoted assets - Other	2.7%	1.4%
Liquid assets	**4.5%**	**2.6%**
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.*

The increase in corporate bonds (13.9% of total) and shares (24.6% of total) in 2019 principally concerns the portfolio of growth assets in the UK.

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	
(€ million)	2018 re-presented	2019	2018 re-presented	2019	2018 re-presented	2019	2018 re-presented	2019
Service cost	8.6	4.2	19.2	19.0	12.9	12.1	40.7	35.3
o/w Current service cost	*3.8*	*2.6*	*19.9*	*20.1*	*21.5*	*22.4*	*45.2*	*45.1*
o/w Past service cost	*4.8*	*1.6*	*(0.7)*	*(1.1)*	*(8.6)*	*(10.3)*	*(4.5)*	*(9.8)*
Net interest expense	0.7	0.1	4.7	5.2	5.9	5.9	11.3	11.2
o/w interest cost	*27.9*	*29.1*	*6.2*	*6.7*	*8.2*	*8.9*	*42.3*	*44.7*
o/w interest income on plan assets	*(27.2)*	*(29.0)*	*(1.5)*	*(1.5)*	*(2.3)*	*(3.0)*	*(31.0)*	*(33.5)*
Interest income on right to reimbursement	-	-	-	-	-	-	-	-
Administrative expenses paid by the fund	0.1	-	-	-	0.1	0.2	0.2	0.2
Other	(0.1)	0.1	0.3	-	0.2	-	0.4	0.1
Net benefit cost recognized in the Consolidated Income Statement	**9.3**	**4.4**	**24.2**	**24.2**	**19.1**	**18.2**	**52.6**	**46.8**
Return on plan assets excluding amounts included in interest income	52.3	(116.3)	(0.7)	(0.8)	13.8	(23.3)	65.4	(140.4)
Actuarial (gains) losses arising from experience adjustments	3.6	(3.3)	(2.2)	(4.0)	4.9	2.6	6.3	(4.7)
Actuarial (gains) losses arising from changes in demographic assumptions	(7.3)	(21.8)	2.0	0.7	(2.2)	1.9	(7.5)	(19.2)
Actuarial (gains) losses arising from changes in financial assumptions	(47.2)	123.8	(3.2)	46.3	(11.7)	46.2	(62.1)	216.3
Net benefit cost recognized in other comprehensive income	**1.4**	**(17.6)**	**(4.1)**	**42.2**	**4.8**	**27.4**	**2.1**	**52.0**
NET BENEFIT COST RECOGNIZED IN TOTAL COMPREHENSIVE INCOME	10.7	(13.2)	20.1	66.4	23.9	45.6	54.7	98.8

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.

(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019
Short-term benefits, excluding employer contributions	9.3	9.5
Employer contributions	2.7	3.6
Post-employment benefits (1)	0.1	0.1
Other long-term benefits (2)	-	-
Share-based payments	-	1.0
Other terms	-	-
TOTAL	12.1	14.2

(1) Current service cost.
(2) Other compensation vested but payable in the long-term.

As of December 31, 2019, total pension and post-employment benefits obligations in respect of members of the Executive Committee amount to €4.2 million, compared with €3.5 million as of December 31, 2018.

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 €617,575 in 2019.

NOTE 7 GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

7.1 Goodwill

7.1.1 Movements in goodwill

Goodwill breaks down as follows:

(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019
Gross	6,210.1	6,042.3
accumulated impairment losses	(1,102.4)	(914.3)
NET	5,107.7	5,128.0

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 24 goodwill CGUs as of December 31, 2019, including 8 with allocated goodwill in excess of €200 million, presented below.

The main goodwill balances in net carrying amount by goodwill CGU (amounts in excess of €200 million) are as follows:

(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019
France Water	904.1	902.4
British Isles	754.6	801.4
Czech Republic and Slovakia	597.2	615.0
Germany	392.2	383.1
Hazardous Waste	358.3	364.1
France Waste	337.6	331.2
VWT	272.6	275.1
Poland	251.4	253.5
Goodwill balances > €200 million as of December 31, 2018	**3,868.0**	**3,925.8**
Other goodwill balances < €200 million	1,239.7	1,202.2
TOTAL GOODWILL	5,107.7	5,128.0

Goodwill balances of less than €200 million break down by operating segment as follows:

(€ million)	As of December 31, 2018	As of December 31, 2019
France	-	-
Europe excluding France	244.9	280.6
Rest of the World	875.5	799.9
Global Businesses	116.3	118.4
Other	3.0	3.3
TOTAL	1,239.7	1,202.2

As of December 31, 2019, accumulated impairment losses total -€914.3 million and mainly concern goodwill of Germany (-€493.0 million) and Poland (-€99.6 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 **2019** are as follows:

(€ million)	As of December 31, 2018 re-presented	Changes in consolidation scope	Foreign exchange translation	Impairment losses	Transfers to Assets classified as held for sale	Other	As of December 31, 2019
France	1,241.7	(8.3)	-	-	-	0.1	1,233.5
Europe excluding France	2,240.2	55.6	43.8	-	(6.0)	-	2,333.6
Rest of the World	875.5	(90.9)	5.2	(1.6)	-	11.8	800.0
Global Businesses	747.3	3.4	8.5	-	-	(1.5)	757.7
Other	3.0	0.2	-	-	-	-	3.2
TOTAL GOODWILL	5,107.7	(40.0)	57.5	(1.6)	(6.0)	10.4	5,128.0

The main movements in Group goodwill **during 2019** were primarily due to:

- **changes in consolidation scope** in the amount of -€40.0 million, including:
  - €55.6 million in Europe excluding France, relating notably to the acquisition of Renascimento in Portugal (€25.7 million),
  - -€90.9 million in the Rest of the World, relating to:
    - the allocation of a portion of North American goodwill to the divestiture of energy assets in the United States (-€84.1 million),
    - the acquisition of Huafei in China (€7.6 million),
    - the acquisition of Stericycle in Chile (€11.9 million);
- **foreign exchange translation** gains and losses of €57.5 million, mainly due to movements in the pound sterling (+€39.9 million), the U.S. Dollar (+€10.1 million) and the Argentinian peso (-€12.3 million) against the euro;
- **other movements** of €10.4 million, including €9.5 million in respect of hyperinflation in Argentina.

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 (2025). 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:

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Geographic area	Recoverable amount determination period	Discount rate	Perpetual growth rate
France	Value in use	5.3%	1.3%
British Isles (United Kingdom)	Value in use	5.7%	1.8%
Germany	Value in use	5.3%	1.2%
Czech Republic and Slovakia	Value in use	6.4%	1.9%
Poland	Value in use	8.2%	1.8%
North America	Value in use	5.9%	1.9%

7.1.2.1 Impairment Tests Results

Impairment tests were performed on all cash-generating units. No material impairment losses were recognized in **2019**.

7.1.2.2 Sensitivity Of Recoverable Amounts

Recoverable amounts determined for impairment testing purposes were tested for their sensitivity to a 1% increase in discount rates, a 1% decrease in perpetual growth rates and a 5% decrease in operating cash flows.

The changes in operating cash flows taken into account for the purpose of these sensitivity tests include EBITDA, less investments net of divestitures, plus changes in working capital. They also include the impact of Efficiency and Convergence plans launched by each cash-generating unit at the date of preparation of the Long-Term Plan.

These assumptions are considered reasonable given the Group's activities and the geographic areas of its operations.

For a certain number of cash-generating units, these tests lead to the identification of recoverable amounts lower than the net carrying amount of the cash-generating unit, adjusted where appropriate for impairments recognized during the period:

(€ million)			Difference between the recoverable amount and the net carrying amount			
Cash-generating Unit	Net carrying amount Data at 100%	o/w goodwill*	As of December 31, 2019	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%)
Poland	1,667.0	253.5	180.0	(76.1)	(14.0)	87.2
Germany	1,315.4	383.1	230.7	(117.4)	(65.7)	152.5
Mexico	178.7	49.8	21.7	(2.3)	4.0	11.6

Taking account of commercial development perspectives, the recoverable amount of the Czech Republic-Slovakia cash-generating unit exceeds its 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 these cash-generating units 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 **2019** are as follows:

(€ million)	As of December 31, 2018 re-presented	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, 2019
Concession intangible assets, gross	7,140.1	433.9	(162.4)	-	-	(55.5)	93.0	68.6	(24.3)	7,493.4
Amortization and impairment losses	(3,672.8)	-	141.4	(7.1)	(397.4)	44.6	(38.6)	(62.0)	15.9	(3,976.0)
CONCESSION INTANGIBLE ASSETS, NET	3,467.3	433.9	(21.0)	(7.1)	(397.4)	(10.9)	54.4	6.6	(8.4)	3,517.4

Additions mainly concern France (€109.1 million), Europe excluding France (€242.1 million) and the Rest of the World (€82.4 million).

Foreign exchange translation gains and losses are primarily due to movements in the pound sterling (+€31.7 million), the Moroccan dirham (+€7.5 million) and the Czech crown (+€9.7 million) against the euro.

Other movements mainly concern the Europe excluding France segment for -€27.0 million and the Rest of the world segment for €11.4 million.

Concession intangible assets break down by operating segment as follows:

(€ million)	Net carrying amount as of December 31, 2018 re-presented	As of December 31, 2019 Gross carrying amount	Amortization and impairment losses	Net carrying amount
France	632.9	1,440.7	(829.6)	611.1
Europe excluding France	2,080.9	4,476.5	(2,352.3)	2,124.2
Rest of the World	752.1	1,563.4	(782.8)	780.6
Global Businesses	1.4	12.8	(11.3)	1.5
Other	-	-	-	-
CONCESSION INTANGIBLE ASSETS	3,467.3	7,493.4	(3,976.0)	3,517.4

7.2.2 Other intangible assets

Other intangible assets mainly consist of entry fees paid to local authorities for public service contracts, the value of contracts acquired through business combinations ("contractual rights"), patents, licenses, software and operating rights.

Other intangible assets are amortized on a straight-line basis over their useful life, unless another systematic amortization basis better reflects the rate of consumption of the asset.

Useful lives are as follows:

	Range of useful lives in number of years*
Entry fees paid to local authorities	3 to 80
Purchased contractual rights	3 to 35
Purchased software	3 to 10
Other intangible assets	1 to 30

* *The range of useful lives is due to the diversity of intangible assets concerned.*

Other intangible assets break down as follows:

(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019
INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE, NET	41.0	41.5
Intangible assets with a definite useful life, gross	3,445.9	3,896.5
Amortization and impairment losses	(2,370.6)	(2,565.4)
INTANGIBLE ASSETS WITH A DEFINITE USEFUL LIFE, NET	1,075.3	1,331.1
OTHER INTANGIBLE ASSETS, NET	1,116.3	1,372.6

Movements in the net carrying amount of other intangible assets during **2019** are as follows:

(€ million)	As of December 31, 2018 re-presented	Additions	Disposals	Impairment losses	Amortization	Changes in scope of consolidation	Foreign exchange translation	Other	As of December 31, 2019
Intangible assets with an indefinite useful life, net	41.0	0.2	-	-	-	0.7	-	(0.4)	41.5
Intangible assets with an definite useful life, net	1,075.3	153.4	(4.8)	(17.3)	(227.5)	316.2	7.9	27.9	1,331.1
Other Intangible Assets	1,116.3	153.6	(4.8)	(17.3)	(227.5)	316.9	7.9	27.5	1,372.6

Intangible assets with an indefinite useful life are primarily trademarks.

Intangible assets with an definite useful life are comprised of:

- entry fees paid to local authorities in respect of public service contracts total €34.6 million as of December 31, 2019, including €16.9 million in France, compared with €52.5 million as of December 31, 2018, including €31.2 million in France;
- purchase contractual rights of €378.0 million as of December 31, 2019, compared with €345.8 million as of December 31, 2018;
- purchased software of €160.1 million as of December 31, 2019, compared with €164.6 million as of December 31, 2018.

Changes in consolidation scope mainly concern purchase price allocation of €180.9 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 **2019** are as follows:

(€ million)	As of December 31, 2018 re-presented	Additions	Disposals	Impairment losses	Depreciation	Change in scope of consoli-dation	Foreign exchange translation	Other movements	As of December 31, 2019
Property, plant and equipment, gross	19,398.4	1,340.1	(633.7)	-	-	(640.6)	175.7	(64.4)	19,575.5
Depreciation and impairment losses	(11,541.6)	-	525.1	8.8	(990.7)	169.3	(102.1)	35.5	(11,895.7)
PROPERTY, PLANT AND EQUIPMENT, NET	7,856.8	1,340.1	(108.6)	8.8	(990.7)	(471.3)	73.6	(28.9)	7,679.8

Additions mainly concern:

- France (€161.2 million);
- Europe excluding France (€505.6 million);
- the Rest of the world (€532.6 million).

Disposals, net of impairment losses and depreciation, of -€108.6 million mainly concern:

- Europe excluding France (-€63.2 million), including -€11.1 million in respect of Litesko;
- and the Rest of the World (-€32.8 million).

Depreciation of –€990.7 million mainly concerns France (-€199.4 million), Europe excluding France (-€407.8 million) and the Rest of the World (-€255.8 million).

Changes in consolidation scope of -€471.3 million mainly concern:

- Europe excluding France (€122.7 million), including Levice in Slovakia (€58.2 million) and Renascimento in Portugal (€15.7 million);
- the Rest of the world (-€578.8 million), including -€685.8 million relating to the divestiture of energy assets in the United States.

Foreign exchange translation gains and losses are primarily due to movements in the U.S. Dollar (+€24.5 million), the pound sterling (+€24.5 million), the Polish zloty (+€14.2 million) and the Argentinian peso (-€11.1 million) against the euro.

Property, plant and equipment break down by operating segment as follows:

(€ million)	Net value As of December 31, 2018	As of December 31, 2019 Gross carrying amount	Depreciation and impairment losses	Net carrying amount
France	1,024.8	3,892.1	(2,908.9)	983.2
Europe excluding France	3,567.3	8,864.3	(5,112.5)	3,751.8
Rest of the World	2,612.6	4,277.6	(1,997.0)	2,280.6
Global businesses	587.8	2,348.8	(1,742.5)	606.3
Other	64.3	192.7	(134.8)	57.9
PROPERTY, PLANT AND EQUIPMENT	7,856.8	19,575.5	(11,895.7)	7,679.8

The breakdown of property, plant and equipment by class of assets is as follows:

(€ million)	Net carrying amount As of December 31, 2018 re-presented	As of December 31, 2019		
		Gross carrying amount	Depreciation and impairment losses	Net carrying amount
Land	667.1	1,449.3	(797.7)	651.6
Buildings	1,264.1	3,230.8	(1,853.5)	1,377.3
Technical installations, plant and equipment	4,154.3	9,962.3	(6,176.4)	3,785.9
Travelling systems and other vehicles	630.5	2,308.3	(1,647.4)	660.9
Other property, plant and equipment	337.9	1,713.5	(1,394.3)	319.2
Property, plant and equipment in progress	802.9	911.3	(26.4)	884.9
PROPERTY, PLANT AND EQUIPMENT	7,856.8	19,575.5	(11,895.7)	7,679.8

7.4 Right of use

In application of the Lease standard (IFRS 16), the Group analyses the contractual provisions of an agreement at the time of signature, to determine whether it presents the characteristics of a lease. In substance, it is necessary to determine whether the agreement conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Where these characteristics exist, the Group recognizes, at the time the asset is made available:

- a new asset, the "Right of use", which represents the right to use the leased asset during the term of the lease;
- a liability, the "Lease debt (IFRS16)", which represents the lease payment commitment.

The Group applies a single recognition method for all leases, excluding short-term leases (duration of 12 months or less) and leases of assets with a low value. The Group adopted a threshold of US$5,000 for low value assets.

Lease payments on contracts excluded from the scope of IFRS 16, as well as variable payments, continue to be recognized as operating expenses.

(€ million)	As of December 31, 2019
Short term lease contracts	2.3
Low value lease contracts	100.9
Variable lease	4.2
TOTAL	107.4

Initial and subsequent measurement of Right of use assets

The right of use asset recognized includes:

- the amount of the related lease debt;
- plus, where applicable:
  - lease payments made before the asset is made available,
  - initial direct costs incurred to obtain the lease, and
  - any dismantling or rehabilitation costs for which Veolia is liable;
- less any incentives received.

The lease debt is equal to the present value of:

- future lease payments (fixed payments or in-substance fixed payments, as well as variable lease payments that depend on an index or a rate);
- incentives receivable;
- amounts that Veolia expects to pay under residual value guarantees;
- the exercise price of a purchase option if Veolia is reasonably certain to exercise it; as well as
- any penalties for terminating the lease.

The right of use asset is depreciated or amortized on a straight-line over the shorter of the expected useful life of the asset and the lease term.

Impairment tests are performed in accordance with the method described in Note 7.1.2.

Lease term

To determine the lease term, the Group analyzes the lease provisions, as illustrated below:

LEASE TERM	=	NON-CANCELLABLE PERIOD	+	OPTIONAL PERIOD FOR CANCELLATION	+	OPTIONAL PERIOD FOR EXTENSION
		Period of time during which the Group does not have the opportunity to cancel the contract		If the Group is reasonably assurednot to exercise the cancellation option.		If the Group is reasonably assured to exercise the extension option.

The enforceable period is also assessed taking into account the duration and characteristics of the customer contract.

Discount rate

When calculating the present value of future lease payments and as authorized by the standard, the Group has elected not to use the rate implicit in the lease as the discount rate, and has developed a calculation method to determine the incremental borrowing rate that would apply to the financing of our leased assets. This methodology is based on a rate schedule calculated by currency and maturity based on the following parameters: reference rate of the relevant currency and the Veolia credit spread, the Group satisfying, through access to the bond market, the majority of the financing requirements of its subsidiaries.

Lease amendments

The net carrying amount of the right of use asset is adjusted in the event of amendments to the lease provisions that require the remeasurement of the lease debt (modification of an index, increase or reduction in the lease term, increase or decrease in future lease payments, etc.) or in the event of changes in assumptions as to whether the exercise of renewal or termination options is reasonably certain.

Right of use assets break down as follows:

(€ million)	Net carrying amount As of December 31, 2018 re-presented	As of December 31, 2019 Gross carrying amount	Depreciation and impairment losses	Net carrying amount
Right of use assets, Intangible assets	9.3	16.4	(8.7)	7.7
Right of use assets, Land	275.4	510.6	(208.5)	302.1
Right of use assets, Buildings	795.8	1,481.0	(744.3)	736.7
Right of use assets, Property & equipment	161.0	330.5	(173.0)	157.5
Right of use assets, Rolling stock, vehicles & other transport equip	409.7	850.6	(429.1)	421.5
Right of use assets, other tangible assets	47.3	84.5	(45.4)	39.1
RIGHT OF USE ASSETS (NET)	1,698.5	3,273.6	(1,609.0)	1,664.6

Right of use break down by operating segment break down as follows:

(€ million)	Net value as of December 31, 2018 re-presented	As of December 31, 2019 Gross carrying amount	Depreciation and impairment losses	Net carrying amount
France	325.0	591.2	(300.7)	290.5
Europe excluding France	457.4	959.8	(463.9)	495.9
Rest of the World	399.6	687.1	(321.9)	365.2
Global businesses	338.9	738.2	(372.1)	366.1
Other	177.6	297.3	(150.4)	146.9
RIGHT OF USE	1,698.5	3,273.6	(1,609.0)	1,664.6

Movements in the net carrying amount of rights of use during **2019** are as follows:

(€ million)	As of December 31, 2018 re-presented	Additions	Disposals	Impairment losses	Deprecia-tion	Change in scope of consolidation	Foreign exchange translation	Other move-ments	As of December 31, 2019
Right of use assets	3,151.0	400.0	(399.5)	-	-	26.7	26.9	68.5	3,273.6
Depreciation and impairment losses	(1,452.5)	-	333.6	(1.8)	(445.2)	9.6	(13.3)	(39.4)	(1,609.0)
RIGHT OF USE ASSETS (NET)	1,698.5	400.0	(65.9)	(1.8)	(445.2)	36.3	13.6	29.1	1,664.6

Additions mainly concern France (€81.9 million); Europe excluding France (€108.9 million) and global businesses (€118.9 million).

Depreciation for 2019 total -€445.2 million and break down as follows:

- intangible assets: -€3.3 million;
- lands: -€45.8 million;
- constructions: -€154.6 million;
- technical installations: -€57.2 million;
- vehicles: -€169.6 million;
- other tangible assets: -€14.7 million.

Cumulated depreciation mainly concerns France (-€95.0 million), Europe excluding France (-€121.8 million) and the Rest of the World (-€97.4 million), and global businesses (-€96.4 million).

Sub-lease revenue associated with right of use assets 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.

		Non-current		Current		Total	
(€ million)	Notes	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019
Bond issues	8.1.1.1	9,043.9	8,830.4	727.1	1,145.4	9,771.0	9,975.8
Other borrowings	8.1.1.2	473.7	536.4	3,866.5	4,298.4	4,340.2	4,834.8
Lease IFRS 16	8.1.1.3	1,556.0	1,417.9	425.2	465.7	1,981.2	1,883.6
TOTAL CURRENT AND NON-CURRENT BORROWINGS		11,073.6	10,784.7	5,018.8	5,909.5	16,092.4	16,694.2

The headings "Net increase/decrease in current borrowings" and "Change in current lease debt (IFRS 16)" in the Consolidated Cash Flow Statement include redemptions of current bonds in the amount of -€746.4 million in 2019 and increases and repayments of other current borrowings of -€191.7 million. This heading does not include accrued interest payable of €1.6 million in 2019, 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 €1,656.2 million in 2019 and new other non-current borrowings of €575.5 million. However, it excludes new finance lease obligations of €406.6 million in 2019, presented in investment flows and other long-term deferred revenue of €0.7 million.

The headings "Principal payments on non-current borrowings and other debts" and "Repayment of / (New) non-current lease debt (IFRS 16)" in the Consolidated Cash Flow Statement include redemptions of non-current bonds in the amount of -€789.1 million in 2019 and principal payments on other non-current borrowings of -€138.0 million.

8.1.1.1 Changes In Non-Current And Current Bond Issues

Issue on the Panda Bond market

On December 17, 2019, Veolia Environnement successfully issued a bond of a nominal amount of 1.5 billion renminbi (€192 million) on the Chinese domestic market (Panda Bond).

Veolia, the leading French issuer on the Panda market, placed these bonds with Chinese and international investors. The bonds have a 1 year maturity and bear interest of 3.70%.

Redemption of US dollar-denominated bonds

On December 23, 2019, Veolia Environnement redeemed early its U.S. dollar bond line bearing interest at 6.75% and maturing in 2038, in the nominal amount of €100 million.

In relation to the divestiture of heating and cooling networks in the United States, which acquisition has been financed in 2007 by an issuance in US dollars.

Redemption of a euro bond line

On April 24, 2019, Veolia Environnement repaid, at maturity, a euro bond line, in the nominal amount of €462 million.

€750 million bond issue

On January 14, 2019, Veolia successfully performed at par a €750 million bond issue maturing in January 2024 (i.e. 5 years) and bearing a coupon of 0.892%.

Issue of bonds convertible into and/or exchangeable for new and/or existing shares

On September 13, 2019, Veolia Environnement redeemed early the bonds convertible and/or exchangeable for new and/or existing shares issued on March 8, 2016 and maturing March 15, 2021, of a nominal amount of approximately €700 million.

On September 12, 2019, Veolia Environnement completed an offering of bonds convertible and/or exchangeable for new and/or existing shares maturing January 1, 2025 by way of a private placement without shareholders' preferential subscription rights, of a nominal amount of €700 million (see note 9.4.1).

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Non-current and current bond issues break down as follows:

(€ million)	As of December 31, 2018	Net movement	Changes in consolidation scope	Fair value adjustments [1]	Foreign exchange translation	Non-current / current reclassification	Transfers to Liabilities classified as held for sale	Other	As of December 31, 2019
Non-current bonds issues	9,043.9	1,656.2	(789.1)	-	19.2	49.0	(1,148.9)	0.1	8,830.4
Current bonds issues	727.1	-	(746.4)	7.6	-	8.1	1,148.9	0.1	1,145.4
TOTAL BONDS ISSUES	**9,771.0**	**1,656.2**	**(1,535.5)**	**7.6**	**19.2**	**57.1**	**-**	**0.2**	**9,975.8**

(1) Value adjustments are recorded in financial income and expenses.

Increases/subscriptions mainly concern bond issues performed by Veolia Environnement totaling €1.6 billion (see above).

Redemptions mainly concern the redemption at maturity on April 24, 2019 of the euro bond line in the nominal amount of €462 million and on August 10 and September 2, 2019 of CNY bond lines in the nominal euro equivalent amount of €128 million each and the early redemption on September 12, 2019 of the OCEANE bonds maturing in 2021 in the nominal amount of €700 million.

Non-current/current reclassifications total €1,148.9 million and mainly concern the euro bond lines maturing in November and December 2020 in the amount of €500 million and €431.2 million, respectively and the CNY bond line maturing in December 2020 in the amount CNY 1.5 billion (€192.4 million).

Foreign exchange translation gains total €57.1 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 €36.9 million as of December 31, 2019, of the U.S. dollar bond line maturing in 2038 with a euro-equivalent value of €8.8 million as of December 31, 2019 and of the CNY bond line maturing in 2019 with a euro equivalent value of €8 million as of December 31, 2019.

(€ million)	Non-current		Current		Total	
	As of December 31, 2018 re-presented	As of December 31, 2019	As of December 31, 2018 re-presented	As of December 31, 2019	As of December 31, 2018 re-presented	As of December 31, 2019
Bond issues	**9,043.9**	**8,830.4**	**727.1**	**1,145.4**	**9,771.0**	**9,975.8**
• out of which < 1 year	-	-	727.1	1,145.4	727.1	1,145.4
• out of which 2-3 years	2,301.2	1,969.0	-	-	2,301.2	1,969.0
• out of which 4-5 years	1,944.5	1,367.3	-	-	1,944.5	1,367.3
• out of which > 5 years	4,798.2	5,494.1	-	-	4,798.2	5,494.1

Non-current **bond issues break down** by maturity as follows:

(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019	Maturity		
			2 to 3 years	4 to 5 years	> 5 years
Publicly offered or trade issuances (1)	8,260.9	8,035.7	1,947.9	1,347.5	4,740.3
European market (i)	*7,882.4*	*7,747.0*	*1,947.9*	*1,347.5*	*4,451.6*
American market (ii)	*378.5*	*288.7*	-	-	*288.7*
Bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)	698.8	717.4	-	-	717.4
Panda Tranche 1	-	-	-	-	-
Stirling Water Seafield Finance bond issue (2)	51.7	48.0	13.9	15.9	18.2
Other < €50 million in 2018 and 2019	32.5	29.3	7.2	3.9	18.2
NON-CURRENT BOND ISSUES	9,043.9	8,830.4	1,969.0	1,367.3	5,494.1

(1) Publicly offered or trade issuances.
i. European market: as of December 31, 2019, an amount of €8,690.7 million is recorded in the Consolidated Statement of Financial Position in respect of bonds issued under the European Medium Term Notes (EMTN) Program, including €7,747.0 million maturing in more than one year. The impact of the fair value remeasurement of hedged interest rate risk is €19.2 million at the year-end (non-current portion).
ii. U.S. market: as of December 31, 2019, remaining nominal outstandings on the bond issues performed in the United States on May 27, 2008 total USD 300.0 million, maturing June 1, 2038 and paying fixed-rate interest of 6.75% (Tranche 3).
(2) Stirling Water Seafield Finance bond issue: the outstanding nominal balance as of December 31, 2019 on the amortizable bond issue performed in 1999 by Stirling Water Seafield Finance (Veolia Water UK subsidiary, Water activities), is GBP 45.4 million (non-current and current portion). This bond issue is recognized at amortized cost for a euro equivalent of €48.0 million as of December 31, 2019 (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%	696
Series 23	5/24/2022	EUR	645	5.125%	667
Series 24	10/29/2037	GBP	764	6.125%	763
Series 28 (PEO)	1/6/2021	EUR	638	4.247%	632
Series 29 (PEO)	3/30/2027	EUR	750	4.625%	695
Series 31 (PEO)	1/10/2028	EUR	500	1.590%	367
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%	649
Series 36	11/30/2026	EUR	650	1.496%	683
Series 38	1/7/2030	EUR	750	1.940%	748
Series 39	1/14/2024		750	0.892%	749
Total bond issues (EMTN)	N/A	N/A	7,897	N/A	7,747
USD Series Tranche 3	6/1/2038	USD	267	6,750%	289
Total publicly offered or traded issuances in USD	N/A	N/A	267		289
Bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)	1/1/2025	EUR	700	N/A	717
Total bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)	N/A	N/A	700	N/A	717
Stirling Water Seafield Finance bond issue	9/26/2026	GBP	47	5,822%	48
Total principal bond issues	N/A	N/A	8,911	N/A	8,801
Total other bond issues	N/A	N/A		N/A	29
TOTAL NON-CURRENT BOND ISSUES	N/A	N/A		N/A	8,830

8.1.1.2 Changes In Other Financial Liabilities

	Non Current		Current		Total	
(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019	As of December 31, 2018 re-presented	As of December 31, 2019	As of December 31, 2018 re-presented	As of December 31, 2019
Other financial debts	**473.7**	**536.4**	**3,866.5**	**4,298.4**	**4,340.2**	**4,834.8**
• out of which < 1 year	-	-	3,866.5	4,298.4	3,866.5	4,298.4
• out of which 2-3 years	98.7	228.6	-	-	98.7	241.8
• out of which 4-5 years	194.6	60.0	-	-	194.6	60.0
• out of which > 5 years	180.4	247.8	-	-	180.4	234.6

(€ million)	As of December 31, 2018, re-presented	Net movement	Changes in consolidation scope	Fair value adjustments	Foreign exchange translation	Non-current / current reclassifica-tion	Trans-fers to Liabilities classified as held for sale	Other	As of December 31, 2019
Non-current other financial liabilities	473.7	107.2	63.0	0.4	4.5	(91.6)	(10.7)	(10.1)	536.4
Current other financial liabilities	3,866.5	279.8	59.2	(0.1)	(10.9)	91.6	(1.6)	13.9	4,298.4
OTHER FINANCIAL LIABILITIES	4,340.2	387.0	122.2	0.3	(6.4)	(0.0)	(12.3)	3.8	4,834.8

Movements in financial liabilities during **2019** are as follows:

Other non-current financial liabilities mainly comprise:

- France of €17.6 million;
- the Rest of the world of €343.5 million, including:
  - Redal and Amendis in Morocco (Water) of €71.4 million and €13.6 million, respectively, as of December 31, 2019 compared with €59.0 million and €17.6 million, respectively, as of December 31, 2018,
  - International Water Services Guayaquil Interagua in Ecuador (Water) of €79.1 million as of December 31, 2019 and €76.3 million as of December 31, 2018;
- Europe excluding France, including Germany, of €143.1 million, and mainly:
  - Braunschweiger in Germany of €38.0 million as of December 31, 2019,
  - Stadtwerke Gorlitz of €34.9 million as of December 31, 2019 and €31.6 million as of December 31, 2018;
- the Global businesses in the amount of €19.7 million, including €18.5 million in Sarpi;
- certain subsidiaries of the Other operating segment in the amount of €12.5 million.

Other current financial liabilities total €4,298.4 million as of December 31, 2019, compared with €3,866.4 million as of December 31, 2018 re-presented.

Net movements in other current financial liabilities in 2019 mainly reflect the increase in treasury notes issued in the amount of €245.2 million and the subscription in August 2019 of two Chinese renminbi loans with a 1-year maturity for a total amount of €262.8 million.

Changes in consolidation scope mainly concern the acquisition of energy activities in China (Kedong Heating) for €16.4 million and in Hong Kong (Southa group) for €12.7 million.

As of December 31, **2019**, other current financial liabilities mainly concern Veolia Environnement for €3,925.9 million (including treasury notes of €3,494.8 million, accrued interest on debt of €130.6 million and Chinese renminbi debt of €266.8 million).

8.1.1.3 Lease Debt (IFRS 16)

Lease debt recognition and measurement principles are disclosed in Note 7.4.

(in € million)	As of December 31,2018 re-presented	Net movement	Changes in consolidation scope	Fair value adjustments	Foreign exchange translation	Non-current / current reclassifica-tion	Transfers to Liabilities classified as held for sale	Other	As of December 31, 2019
IFRS 16 non-current lease obligation	1,556.0	330.3	5.5	-	11.6	(502.3)	-	16.8	1,417.9
IFRS 16 current lease obligation	425.2	(470.9)	6.0	-	2.9	502.0	-	0.5	465.7
IFRS 16 Lease obligation	1,981.2	(140.6)	11.5	-	14.5	(0.3)	-	17.3	1,883.6

Lease debt by operating segment breaks down as follows:

(€ million)	Net value as of December 31, 2018 re-presented	As of December 31, 2019 Non-current IFRS 16 debt	Current IFRS 16 debt	Total IFRS 16 debt
France	401.1	251.7	100.2	351.9
Europe excluding France	539.8	442.0	126.2	568.2
Rest of the World	472.4	311.7	108.3	420.0
Global businesses	382.3	295.7	93.4	389.1
Other	185.6	116.8	37.6	154.4
LEASE DEBT (IFRS16)	1,981.2	1,417.9	465.7	1,883.6

Lease debt by type of assets breaks down as follows:

(€ million)	As of December 31, 2018, re-presented	As of December 31, 2019
PP&E	73.0%	72.8%
Technical installations, plant and equipment	9.9%	8.4%
Travelling systems and other vehicles	17.1%	18.8%

Lease debt by maturity breaks down as follows:

(€ million)	As of December 31, 2019 Non-current	Current	Total
IFRS16 Lease debts	**1,417.9**	**465.7**	**1,883.6**
• 1 year	-	465.7	465.7
• 2 years	338.5	-	338.5
• 3 years	263.2	-	263.2
• 4 years	198.6	-	198.6
• 5 years	148.9		148.9
• > 5 years	468.7	-	468.7

(€ million)	As of December 31, 2019
Reimbursement IFRS 16 lease debt	446.7
Interests on IFRS lease debts	40.8
Exemption and variable leases	107.4
LEASES OF THE PERIOD	594.9

8.1.1.4 Breakdown Of Non-Current And Current Financial Liabilities By Currency

Financial liabilities break down by original currency (before currency swaps) as follows:

- euro-denominated debt of €13,195.2 million as of December 31, 2019 and €13,341.5 million as of December 31, 2018 re-presented;
- pound sterling-denominated debt of €1,018.7 million as of December 31, 2019 and €922.3 million as of December 31, 2018, re-presented;
- U.S. dollar-denominated debt of €1,080.9 million as of December 31, 2019 and €889.2 million as of December 31, 2018 re-presented.

8.1.2 Non-current and current financial assets

Financial assets include assets classified as loans and receivables, liquid assets, financing assets, other financial assets, derivative assets 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 categories identified by IFRS 9 on the acquisition date, based on the instrument's characteristics and the business model.

Assets At Amortized Cost

Financial assets are valued at amortized cost where they are recovered by collecting contractual cash flows (payments of principal and interest on the principal amount outstanding).

These assets comprise loans to non-consolidated investments, operating financial assets, other loans and receivables and trade receivables. After initial recognition at fair value, they are recognized and measured at amortized cost using the effective interest method.

In accordance with IFRS 9, these assets are impaired in the amount of expected credit losses. Impairment losses are recorded in other financial income and expenses.

Assets At Fair Value Through Other Comprehensive Income Subsequently Released To Net Income

This category includes financial assets recovered by collecting contractual cash flows (payments of principal and interest on the principal amount outstanding) or selling the assets.

Changes in the fair value of these assets are recognized directly in other comprehensive income, with the exception of interest income and dividends recognized in other financial income and expenses. Fair value gains and losses are released to net income on the sale of the assets.

Assets At Fair Value Through Other Comprehensive Income Not Subsequently Released To Net Income

This category includes equity instruments not held for trading. It relates primarily to non-consolidated investments.

Changes in the fair value of these assets are recognized directly in other comprehensive income, with the exception of interest income and dividends recognized in other financial income and expenses. Fair value gains and losses are not released to net income on the sale of the 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. Financial 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.

Assets At Fair Value Through Profit Or Loss

This category includes:

- financial assets that are not held either to collect contractual cash flows or to sell the assets and whose contractual conditions do not solely give rise to payments of principal and interest on the principal amount outstanding;
- assets designated at fair value and primarily the cash UCITS portfolio whose performance and management is based on fair value and non-consolidated investments.

Fair value gains and losses are recognized in other financial income and expenses.

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	
(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019	As of December 31, 2018 re-presented	As of December 31, 2019	As of December 31, 2018 re-presented	As of December 31, 2019
Gross	385.6	427.9	279.4	309.9	665.0	737.8
Impairment losses	(71.1)	(72.7)	(37.4)	(37.5)	(108.5)	(110.2)
FINANCIAL ASSETS IN LOANS AND RECEIVABLES, NET	314.5	355.2	242.0	272.4	556.5	627.6
OTHER FINANCIAL ASSETS	13.6	14.6	2.2	3.3	15.8	17.9
LIQUID ASSETS AND FINANCING FINANCIAL ASSETS	4.7	4.8	188.0	462.8	192.7	467.6
TOTAL OTHER FINANCIAL ASSETS, NET	332.8	374.6	432.2	738.5	765.0	1,113.1

8.1.2.2 Changes In Other Non-Current Financial Assets

Changes in the value of other non-current financial assets during **2019** are as follows:

(€ million)	As of December 31, 2018	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 (2)	As of December 31, 2019
Gross	385.6	31.1	1.1	-	-	6.1	(0.7)	-	4.7	427.9
Impairment losses	(71.1)	-	-	-	(0.1)	(1.4)	-	-	(0.1)	(72.7)
NON-CURRENT FINANCIAL ASSETS IN LOANS AND RECEIVABLES, NET	314.5	31.1	1.1	-	(0.1)	4.7	(0.7)	-	4.6	355.2
OTHER NON-CURRENT FINANCIAL ASSETS	13.6	3.6	(1.4)	-	(0.7)	-	(0.1)	-	(0.4)	14.6
LIQUID ASSETS AND FINANCING FINANCIAL ASSETS	4.7	4.2	-	-	-	0.1	(4.1)	-	(0.1)	4.8
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS, NET	332.8	38.9	(0.3)	-	(0.8)	4.8	(4.9)	-	4.1	374.6

(1) Impairment losses are recorded in financial income and expenses.
(2) Part of reinsurers.

Non-current financial assets relating to loans and receivables

As of December 31, 2019, the main non-current financial assets in loans and receivables primarily comprised loans granted to equity-accounted joint ventures totaling €130.5 million, compared with €107.8 million as of December 31, 2018.

These loans mainly comprise loans granted to the Chinese concessions in the amount of €88.4 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.

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8.1.2.3 Movements In Current Financial Assets

Movements in other current financial assets during **2019** are as follows:

(€ million)	As of December 31, 2018	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 (2)	As of December 31, 2019
Gross	279.4	(14.0)	9.2	-	-	1.9	0.7	-	32.7	309.9
Impairment losses	(37.4)	-	-	-	0.3	(0.4)	-	-	-	(37.5)
CURRENT FINANCIAL ASSETS IN LOANS AND RECEIVABLES, NET	242.0	(14.0)	9.2	-	0.3	1.5	0.7	-	32.7	272.4
OTHER CURRENT FINANCIAL ASSETS	2.2	0.7	-	0.3	-	-	0.1	-	-	3.3
LIQUID ASSETS AND FINANCING FINANCIAL ASSETS	188.0	270.5	-	-	-	0.1	4.1	-	0.1	462.8
TOTAL OTHER CURRENT FINANCIAL ASSETS, NET	432.2	257.2	9.2	0.3	0.3	1.6	4.9	-	32.8	738.5

(1) Impairment losses are recorded in financial income and expenses.
(2) Part of reinsurers.

The accounting treatment of other current financial assets in loans and receivables complies with the required treatment of assets at amortized cost. Other financial assets are classified as "Assets at fair value through profit or loss" in accordance with the principles set out in Note 8.1.2.

8.1.3 Cash and cash equivalents, bank overdrafts and other cash position items

Cash and cash equivalents include all cash balances, certain term deposit accounts, negotiable debt instruments and monetary UCITS.

Cash equivalents are held to meet short-term cash commitments. In order to be considered a cash equivalent, an investment must be readily convertible to a known amount of cash and subject to a negligible risk of change in value, thereby satisfying the requirements of IAS 7.

Term deposit accounts and negotiable debt instruments present characteristics satisfying the requirements of IAS 7 when their yield is based on short-term money-market rates (such as Eonia) and their maturity is less than 3 months (contractually or due to an early exit option exercisable at least every 3 months and held at a low or nil cost, without loss of capital or remuneration received net of the early exit penalty of less than the yield on short-term investments).

UCITS classified in "cash equivalents" comply with Regulation (EU) 2017/1131 of the European Parliament and of the Council of June 14, 2017 on money market funds and 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 **2019** are as follows:

(€ million)	As of December 31, 2018 re-presented	Changes in business	Changes in consolidation scope	Fair value adjustments	Foreign exchange translation	Transfer to Assets/ Liabilities classified as held for sale	Other move-ments	As of December 31, 2019
Cash	1,030.2	385.2	36.5	-	1.2	(0.1)	(3.2)	1,449.8
Cash equivalents	3,526.3	864.5	2.3	(0.7)	1.0	-	0.1	4,393.5
CASH AND CASH EQUIVALENTS	4,556.5	1,249.7	38.8	(0.7)	2.2	(0.1)	(3.1)	5,843.3
Bank overdrafts and other cash position items	215.7	72.7	17.6	-	(2.6)	-	(1.2)	302.2
Net cash	**4,340.8**	**1,177.0**	**21.2**	**(0.7)**	**4.8**	**(0.1)**	**(1.9)**	**5,541.1**

Cash and cash equivalents total €5,843.3 million, including €374.4 million ‘subject to restrictions’ as of December 31, 2019.

The increase over the yeat reflects mainly the proceed from the divestiture of district energy assets in the Unietd States of €1.1 billion.

As of December 31, 2019, the France segment held cash of €11.3 million, the Europe excluding France segment held cash of €293.6 million, the Rest of the World segment held cash of €415.0 million, the Global Businesses segment held cash of €199.7 million and the Other segment held cash of €530.2 million (including €351.3 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, 2019, cash equivalents were primarily held by Veolia Environnement in the amount of €4,284.0 million, including monetary UCITS of €2,967.8 million and term deposit accounts of €1,314.9 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 IFRS 9. 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 reporting date, either for recognition in the accounts or disclosure in the Notes to the financial statements.

Fair value is determined:

i. Based on quoted prices in an active market (level 1) or;

ii. Using internal valuation techniques involving standard mathematical calculation methods integrating observable market data (forward rates, interest rate curves, etc.). Valuations produced by these models are adjusted to take account of a reasonable change in the credit risk of the Group or the counterparty (level 2) or;

iii. Using internal valuation techniques integrating factors estimated by the Group in the absence of observable market data (level 3).

Quoted Prices In An Active Market (Level 1)

When quoted prices in an active market are available, they are used in priority for the determination of the market value. Marketable securities and certain quoted bond issues are valued in this way.

Fair Values Determined Using Models Integrating Observable Market Data (Level 2)

The majority of derivative instruments (swaps, caps, floors, etc.) are traded over the counter and, as such, there are no quoted prices. Valuations are therefore determined using models commonly used by market participants to value such financial instruments.

Valuations calculated internally in respect of derivative instruments are tested every six months for consistency with valuations issued by our counterparties.

The fair value of unquoted borrowings is calculated by discounting contractual flows at the market rate of interest.

The net carrying amount of receivables and payables falling due within less than one year and certain floating-rate receivables and payables is considered a reasonable estimate of their fair value, due to the short payment and settlement periods applied by the Group.

The fair value of fixed-rate loans and receivables depends on movements in interest rates and the credit risk of the counterparty.

Valuations produced by these models are adjusted to take account of changes in Group credit risk.

Fair Values Determined Using Models Integrating Certain Non-Observable Data (Level 3)

Derivative instruments valued using internal models integrating certain non-observable data include certain electricity derivative instruments for which there are no quoted prices in an active market (notably for electricity purchase options with extremely long maturity) or observable market data (forward prices for component materials, interest-rate curves, etc.), in particular for distant maturities.

8.2.2 Financial assets

The following tables present the net carrying amount and fair value of Group financial assets as of December 31, 2019, grouped together in accordance with IFRS 9 categories.

		As of December 31, 2019							
		Net carrying amount	Financial assets at fair value			Fair value	Method for determining fair value		
(€ million)	Note	Total	Assets at fair value through other comprehensive income	Assets at amortized cost	Assets at fair value through the Consolidated Income Statement	Total	Level 1	Level 2	Level 3
Non-consolidated investments		52.3	52.3	-	-	52.3	-	52.3	-
Non-current and current operating financial assets	Note 5.4	1,517.2	-	1,517.2	-	1,649.4	-	1,649.4	-
Other non-current financial assets	Note 8.1.2	374.6	-	374.6	-	374.6	-	374.6	-
Trade receivables	Note 5.3	6,849.5	-	6,849.5	-	6,849.5	-	6,849.5	-
Other current operating receivables	Note 5.3	1,298.6	-	1,298.6	-	1,298.6	-	1,298.6	-
Other current financial assets	Note 8.1.2	738.5	-	738.5	-	738.5	-	738.5	-
Non-current and current derivative instruments	Note 8.3	130.5	-	-	130.5	130.5	-	130.5	-
Cash and cash equivalents	Note 8.1.3	5,843.3	-	-	5,843.3	5,843.3	4,417.6	1,425.7	-
TOTAL		16,804,5	52.3	10,778,4	5,973,8	16,936,7	4,417,6	12,519,1	-

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, 2019, grouped together in accordance with IFRS 9 categories.

		As of December 31, 2019							
		Net carrying amount		Financial liabilities at fair value		Fair value	Method for determining fair value		
(€ 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	8,830.4	8,830.4	-	-	9,016.5	8,932.7	83.8	-
Current bond issues	Note 8.1,1	1,145.4	1,145.4	-	-	1,145.4	1,145.4	-	-
Other non-current borrowings	Note 8.1.1	536.4	536.4	-	-	613.7	-	613.7	-
Current borrowings	Note 8.1.1	4,298.4	4,298.4	-	-	4,298.4	-	4,298.4	-
Non-current IFRS 16 lease debt	Note 8.1.1	1,417.9	1,417.9	-	-	1,417.9	-	1,417.9	-
Current IFRS 16 lease debt	Note 8.1.1	465.7	465.7	-	-	465.7	-	465.7	-
bank overdrafts and other cash position items	Note 8.1.3	302.2	302.2	-	-	302.2	-	302.2	-
Trade payables	Note 5.3	5,035.9	5,035.9	-	-	5,035.9	-	5,035.9	-
Concession liabilities	Note 5.5	1,550.0	1,550.0	-	-	1,550.0	-	1,550.0	-
Non-current and current derivative instruments	Note 8.3	250.2	250.2	-	-	250.2	-	250.2	-
Other operating payables	Note 5.3	5,287.1	5,287.1	-	-	5,287.1	-	5,287.1	-
TOTAL		29,119.6	29,119.6	-	-	29,383.0	10,078.1	19,304.9	-

8.2.4 Offsetting of financial assets and financial liabilities

As of December 31, 2019, 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. They are not therefore offset in the accounts.

Such derivatives are recognized in assets in the amount of €130.5 million and in liabilities in the amount of €250.2 million in the Consolidated Statement of Financial Position as of December 31, 2019.

8.3 Market risks and financial instruments

As a result of its operational and financial activities, the Group is exposed to various financial risks, for which it has implemented management rules:

- market risks: interest rate risk, foreign exchange risk and commodity risk;
- liquidity risk;
- credit risk.

These risks are described in Chapter 5, Section 5.1, note 5.2.1.3.

Equity risk is presented in Notes 8.1.3.2 and 9.2.2.2.

Derivative instruments

To manage its exposure to market risks, Veolia uses derivatives, the majority of which are classified as hedging 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.

Hedge accounting is applicable 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.

Hedge accounting relationships currently used by the Group meet the requirements of IFRS 9 and are aligned with the Group's risk management strategy and objectives.

The effectiveness of derivatives in these hedging relationships is assessed using the hypothetical derivative method: the designated derivative in each hedging relationship must enable changes in cash flows of the hedged item to be offset.

The main sources of ineffectiveness are:

- the impact of Group and counterparty credit risk on the fair value of hedging instruments, not reflected by fluctuations in the fair value of the hedged item (foreign exchange, interest rate and commodities). Pursuant to IFRS 13, the impact of credit risk on derivatives is regularly assessed. In the absence of materiality, an adjustment has never been recognized;
- changes to the timing and amount of expected cash flows from hedged transactions, in the case of transaction foreign exchange risk.

The recognition of period-on-period fair value gains and losses depends on the type of hedge accounting applied.

A **fair value hedge** is a hedge of exposure to changes in the fair value of all or a portion of a recognized asset or liability impacting net income for the period. Fair value gains and losses on hedging instruments are recognized in net income for the period. Changes in the value of the hedged item attributable to the hedged risk are also recorded in the Consolidated Income Statement for the period, to match these gains and losses (and adjust the value of the hedged item). These two remeasurements offset each other in the income statement headings, with the exception of any "ineffective portion" of the hedge.

A **cash flow hedge** is a hedge of exposure to variability in cash flows of an asset or liability or a highly probable forecast transaction impacting net income for the period. In the case of cash flow hedges, the portion of the gain or loss on the fair value remeasurement of the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income, while the gain or loss on the fair value remeasurement of the underlying item is not recognized in the Consolidated Statement of Financial Position. The ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss. Gains or losses recognized in other comprehensive income are reclassified to profit or loss in the same period or periods in which the asset acquired or liability issued affects profit or loss.

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). For this type of hedge, 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.

Certain transactions performed in accordance with the Group interest rate and foreign exchange risk management policy, but that do not satisfy hedge accounting criteria, are recorded as trading/non-qualifying instruments.

In the case of **currency hedges**, the Group only designates the "spot" component of derivatives as hedging its foreign exchange risk. As the "hedging cost" option is not applied, the premium/discount on hedging contracts is excluded from the hedging relationship and recognized separately in the financing cost.

In the case of **commodities**, purchase/sales contracts are generally recognized outside the scope of IFRS 9 ("own use" exemption), except for certain specific transactions in electricity, coal and gas. For these specific transactions, cash flow hedge accounting is systematically preferred.

The "own use" classification 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 IFRS 9 and, in particular, physical delivery is systematic;
- the contracts are not equivalent to sales of options, as defined by IFRS 9.

Commodity hedging instruments falling within the application scope of IFRS 9 are derivative instruments and are measured at fair value, calculated using models mostly based on observable data. Fair value gains and losses and the net impact of unwinding these transactions are recognized in operating income.

8.3.1 Market risk management

The Group uses derivatives to manage and reduce its risk exposure: the Veolia Environnement Financing and Treasury Department is directly responsible for implementing and monitoring these hedges, while the Middle and Back Office teams in the Finance Department verify transactions and monitor limits, ensuring the security of transactions processed.

The fair value of derivatives in the Consolidated Statement of Financial Position breaks down as follows:

		As of December 31, 2018 re-presented		As of December 31, 2019	
(€ million)	Notes	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	**8.3.1.1**	**14.6**	**4.4**	**34.1**	**3.6**
Fair value hedges		12.4	-	31.6	-
Cash flow hedges		-	0.2	0.7	0.4
Derivatives not qualifying for hedge accounting		2.2	4.2	1.8	3.2
Foreign currency derivatives	**8.3.1.2**	**59.6**	**70.5**	**83.0**	**186.7**
Net investment hedges		0.7	24.9	0.9	28.9
Fair value hedges		12.6	11.8	14.7	18.6
Cash flow hedges		0.6	1.0	-	3.4
Derivatives not qualifying for hedge accounting		45.7	32.8	67.4	135.8
Commodity derivatives	**8.3.1.3**	**26.6**	**64.6**	**13.4**	**59.9**
TOTAL DERIVATIVES		100.8	139.5	130.5	250.2
o/w non-current derivatives		**31.6**	**55.8**	**39.0**	**52.4**
o/w current derivatives		**69.2**	**83.7**	**91.5**	**197.8**

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, 2019		Level 2 *(in%)*		Level 3 *(in%)*	
(€ million)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	34.1	3.6	100.0%	100.0%	-	-
Foreign currency derivatives	83.0	186.7	100.0%	100.0%	-	-
Commodity derivatives	13.4	59.9	100.0%	23.9%	-	76.1%
TOTAL DERIVATIVES	130.5	250.2	100.0%	81.8%	0.0%	18.2%

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, 2018 re-presented		Level 2 *(in%)*		Level 3 *(in%)*	
(€ million)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	14.6	4.4	100.0%	100.0%	-	-
Foreign currency derivatives	59.6	70.5	100.0%	100.0%	-	-
Commodity derivatives	26.6	64.6	100.0%	40.8%	-	59.2%
TOTAL DERIVATIVES	100.8	139.5	100.0%	72.6%	0.0%	27.4%

8.3.1.1 Management Of Interest Rate Risk

The interest rate risk management policy is centralized. 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.

Veolia 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. The Group determines the existence of an economic relationship between the hedging instrument and the hedged item taking account of reference interest rates, the frequency of coupons, the currency and the nominal amount.

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, 2018 re-presented		As of December 31, 2019	
(€ million)	Outstandings	% total debt	Outstandings	% total debt
Fixed rate	12,212.4	74.9%	12,403.0	73.0%
Floating rate	4,095.3	25.1%	4,593.4	27.0%
Gross debt before hedging	16,307.7	100.0%	16,996.4	100.0%
Fixed rate	11,685.1	71.7%	11,880.4	69.9%
Floating rate	4,622.6	28.3%	5,116.0	30.1%
Gross debt before hedging and fair value remeasurement of fixed-rate debt	16,307.7	100.0%	16,996.4	100.0%
Fair value adjustments to (assets)/liability hedging derivatives	**6.1**		**(4.0)**	
GROSS DEBT AT AMORTIZED COST	16,313.8		16,992.4	

Total gross debt as of December 31, 2019, after hedging, is 69.9% fixed-rate and 30.1% floating-rate.

As of December 31, 2019, the Group has cash and cash equivalents of €5,843.3 million, the majority of which bears interest at floating rates.

The Group manages its exposure to interest rate fluctuations based on floating-rate gross debt net of cash.

The Group's net floating-rate position after hedging (asset position) is €1,195.0 million, maturing €2,191.5 million in less than one year, -€207.0 million in 1 to 5 years and -€789.5 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) recorded in non-current and current borrowings.

Fair value hedging swaps represent a notional outstanding amount of €500 million as of December 31, 2019, unchanged on December 31, 2018, with a net fair value in the Consolidated Statement of Financial Position of +€31.6 million as of December 31, 2019, compared with +€12.4 million as of December 31, 2018, as follows:

		Notional contract amount by maturity			Fair value of derivatives	
Fixed-rate receiver / floating-rate payer swaps *(€ million)*	Total	< 1 year	from 1 to 5 years	> 5 years	Total assets	Total liabilities
As of December 31, 2019	500.0	-	-	500.0	31.6	-
As of December 31, 2018	500.0	-	-	500.0	12.4	-

As of December 31, 2019, accumulated fair value hedging adjustments to bond issues included in their net carrying amount totaled -€189.7 million.

The +€19.2 million increase in fair value is due to the fall in euro forward rates during the period. It is offset by the fair value remeasurement of the debt relating to the hedged risk in the amount of -€19.2 million. A review of the inefficiency of these hedging instruments did not give rise to any material impacts.

Interest rate cash flow hedges

The Group has entered into interest rate swaps to fix the cost of existing floating-rate debt or the cost of future debt issues.

Contractual flows are paid to match interest flows on the hedged borrowings. The amount recorded in equity is released to net income in the period in which interest flows on the debt impact the Consolidated Income Statement.

Cash flow hedging swaps represent a notional outstanding amount of €510 million as of December 31, 2019, compared with €12 million as of December 31, 2018, with a net fair value of +€0.3 million as of December 31, 2019, compared with -€0.2 million as of December 31, 2018.

The change in the nominal amount of the cash flow hedging portfolio is due to the set up-of fixed-rate payer swaps in the amount of €500 million hedging the aggregate exposure resulting from the 2026 bond issue and the fair value swaps backing this issue.

Efficiency was measured and the change in value was assessed in full. Efficiency was measured and the change in value was deferred in fair value reserves in full.

Floating-rate receiver / fixed-rate payer swaps / purchases of caps (€ 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, 2019	**510.0**	**-**	**501.5**	**8.5**	**0.7**	**0.4**
As of December 31, 2018	12.1	-	2.3	9.8	-	0.2

An amount of -€24.8 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, **2019**. -€3.9 million was released from equity to net income as of December 31, 2019.

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.

Interest-rate derivatives not qualifying for hedge accounting

A certain number of derivatives do not qualify as hedges under IFRS 9. 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.

(€ million)	Notional amount as of December 31, 2019				Fair value of derivatives	
	Total	< 1 year	from 1 to 5 years	> 5 years	Total assets	Total liabilities
Total firm financial instruments	43.1	-	43.1	-	1.8	3.2
Total optional financial instruments	-	-	-	-	-	-
TOTAL INTEREST-RATE DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	**43.1**	**-**	**43.1**	**-**	**1.8**	**3.2**

The decrease in the portfolio of interest rate derivatives not qualifying for hedge accounting between 2018 and 2019 is mainly due to the expiry at maturity of short-term financial instruments hedging cash investments totaling approximately €538 million.

Recap: the breakdown as of **December 31, 2018** is as follows:

(€ million)	Notional amount as of December 31,2018 represented				Fair value of derivatives	
	Total	< 1 year	from 1 to 5 years	> 5 years	Total assets	Total liabilities
Total firm financial instruments	585.2	538.4	31.6	15.2	2.2	4.2
Total optional financial instruments	-	-	-	-	-	-
TOTAL INTEREST-RATE DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	**585.2**	**538.4**	**31.6**	**15.2**	**2.2**	**4.2**

8.3.1.2 Management Of Foreign Exchange Risk

The Group's international activities generate significant foreign currency flows.

The Group's central treasury department manages foreign exchange risk centrally within limits set by the Chief Finance Officer.

Foreign exchange risk, as defined by IFRS 7, mainly results from:

a) Foreign currency-denominated purchases and sales of goods and services relating to operating activities and the related hedges (e.g. currency forwards). The Group has no significant exposure to foreign exchange transaction risk. Indeed, the activities of the Group are performed by subsidiaries operating in their own country and their own currency. Exposure to foreign exchange risk is therefore naturally limited;

b) Foreign currency-denominated financial assets and liabilities including foreign currency-denominated loans/borrowings and related hedges (e.g. forex swaps). With many operations worldwide, Veolia organizes financing in local currencies. In the case of inter-company financing, these credit lines can generate foreign exchange risk. In order to limit the impact of this risk, Veolia has developed a policy which seeks to back foreign-currency financing and foreign currency derivatives with inter-company receivables denominated in the same currency. The asset exposure hedging strategy primarily involves hedging certain net foreign investments and ensuring that Group companies do not have a material balance sheet foreign exchange position that could generate significant volatility in foreign exchange gains and losses;

c) Investments in foreign subsidiaries reflected by the translation of accounts impacting the translation reserves.

The Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the value of the hedging instrument attributable to a change in the spot foreign exchange rate with the impact of changes in this same rate on the hedged instrument. It is Group policy to align the key characteristics of hedging instruments (currency, nominal amount, maturity, etc.) with the hedged item.

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 -€440.6 million in 2019, is primarily denominated in EUR (38%), GBP (11%), USD (10%), CNY (4%), PLN (4%) and HKD (2%).

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 €15.1 million increase in the net finance cost, while a 10% depreciation in these currencies would generated a €12.3 million decrease in the net finance cost.

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:	
(€ million)	Euro	Pound Sterling	US dollar	Polish zloty	Czech crown	Australian dollar	Chinese renminbi yuan	Other currencies	**Total**	10%	(10)%
Revenue	13,075.9	2,302.4	2,449.1	1,086.4	1,040.1	1,047.5	935.1	5,252.2	**27,188.7**	1,556.6	1,273.6
Operating income	425.7	183.5	122.4	117.6	118.0	13.6	245.3	238.7	**1,464.8**	114.6	93.8

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 €487 million, while a 10% depreciation in these currencies would reduce net assets by €398 million.

Hedge of a net investment in a foreign operation

Financial instruments designated as net investment hedges break down as follows:

Financial instrument (€ million)	Notional amounts as of December 31, 2019 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 payer swap	133.9	133.9	-	-	0.2	4.0
Currency receiver swap	25.4	25.4	-	-	0.7	-
Options	1,323.7	1,323.7	-	-	-	20.1
Embedded derivatives (forward sale)	-	-	-	-	-	-
Cross currency swaps	60.0	-	-	60.0	-	4.8
Total foreign currency derivatives	1,543.0	1,483.0	-	60.0	0.9	28.9
USD borrowings	-	-	-	-	N/A	N/A
CNY borrowings	-	-	-	-	N/A	N/A
Total financing	-	-	-	-	N/A	N/A
TOTAL	1,543.0	1,483.0	-	60.0	0.9	28.9

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.

Options are hedging strategies using collars.

It is Group policy to hedge the net investment only in the nominal amount of the foreign currency debt financing the securities.

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, collars) meeting IFRS 9 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.

A break-down of foreign exchange gains and losses recorded in Group foreign exchange translation reserves as of December 31, **2019** is presented in Note 9.2.4.

Recap: the breakdown as of December 31, 2018 is as follows:

Financial instrument (€ million)	Notional amounts As of December 31, 2018 represented 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 payer swap	147.1	132.2	14.9	-	-	2.1
Options	2.4	2.4	-	-	-	0.1
Embedded derivatives (forward sale)	1,311.2	1,311.2	-	-	0.6	21.9
Cross currency swaps	60.0	-	-	60.0	0.1	0.8
Total foreign currency derivatives	1,520.7	1,445.8	14.9	60.0	0.7	24.9
USD borrowings	-	-	-	-	N/A	N/A
CNY borrowings	-	-	-	-		
Total financing	-	-	-	-	N/A	N/A
TOTAL	1,520.7	1,445.8	14.9	60.0	0.7	24.9

Foreign currency fair value hedges

Financial instruments designated as fair value hedges break down as follows:

Financial instrument (€ million)	Notional amounts as of December 31, 2019 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	216.7	166.6	50.1	-	8.0	2.4
Forward sales	826.6	408.1	418.5	-	6.7	16.2
FOREIGN CURRENCY DERIVATIVES: FAIR VALUE HEDGE	1,043.3	574.7	468.6	-	14.7	18.6

The fair value hedges presented above mainly consist of cross currency swaps and foreign currency swaps hedging balance sheet items and mainly hedges of internal financing or construction contracts for water treatment plants. The impact of these hedges is offset by the remeasurement of the underlying items.

Financial instrument (€ million)	Notional amounts As of December 31, 2018 represented 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	205.8	153.3	52.5	-	9.4	1.5
Forward sales	299.0	269.2	29.8	-	3.2	10.3
FOREIGN CURRENCY DERIVATIVES: FAIR VALUE HEDGE	504.8	422.5	82.3	-	12.6	11.8

Foreign currency cash flow hedges

Financial instruments designated as cash flow hedges break down as follows:

Financial instrument (€ million)	Notional amounts as of December 31, 2019 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	69.4	63.3	6.1	-	-	-
Forward sales	159.1	129.6	29.5	-	-	3.4
FOREIGN CURRENCY DERIVATIVES: CASH FLOW HEDGE	228.5	192.9	35.6	-	-	3.4

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.

They mainly include currency hedges in respect of commodity purchases and sales in Central Europe.

Financial instrument (€ million)	Notional amounts As of December 31, 2018 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	25.6	23.5	2.1	-	0.4	-
Forward sales	120.0	97.2	22.8	-	0.2	1.0
FOREIGN CURRENCY DERIVATIVES: CASH FLOW HEDGE	145.6	120.7	24.9	-	0.6	1.0

Hedges of currency exposure in the Consolidated Statement of Financial Position by derivatives not qualifying for hedge accounting

Financial instrument (€ million)	Notional amounts as of December 31, 2019 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	4,038.4	3,982.0	56.4	-	53.9	13.9
Currency paper swaps and forward purchases	6,873.7	6,643.5	230.2	-	13.5	120.0
Currency options	-	-	-	-	-	-
Embedded derivatives	4.6	4.6	-	-	-	1.9
FOREIGN CURRENCY DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	10,916.7	10,630.1	286.6	-	67.4	135.8

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 (€ million)	Notional amounts As of December 31, 2018 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	2,098.8	2,077.7	21.1	-	1.8	9.3
Currency paper swaps and forward purchases	6,047.1	5,876.6	170.5	-	43.9	14.4
Currency options	-	-	-	-	-	-
Embedded derivatives	24.8	20.3	4.5	-	-	9.1
FOREIGN CURRENCY DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	8,170.7	7,974.6	196.1	-	45.7	32.8

8.3.1.3 Management Of Commodity Risk

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.

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). 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.

These transactions form part of the Group's commodity risk management policy, which seeks to establish a progressive hedge over three years (where possible) in order to limit results volatility.

As of December 31, 2019, the fair value of commodity derivatives is recorded €13.4 million in assets and €59.9 million in liabilities.

	As of December 31, 2018 re-presented		As of December 31, 2019	
(€ million)	Assets	Liabilities	Assets	Liabilities
Commodity derivatives	**26.6**	**64.6**	**13.4**	**59.9**
Electricity	25.6	63.8	13.4	56.6
Petroleum products	-	-	-	-
CO_2	-	-	-	-
Coal	0.8	0.2	-	1.7
Gas	0.2	0.6	-	1.6
Other	-	-	-	-

These derivatives break down by hedge type as follows:

	As of December 31, 2018 re-presented		As of December 31, 2019	
(€ million)	Assets	Liabilities	Assets	Liabilities
Commodity derivatives	**26.6**	**64.6**	**13.4**	**59.9**
Fair value hedges	-	-	-	-
Cash flow hedges	1.0	0.8	-	3.3
Derivatives not qualifying for hedge accounting	25.6	63.8	13.4	56.6

Electricity risk

Some subsidiaries enter into electricity transactions (forward contracts, options) which are recognized as derivative instruments in accordance with IFRS 9.

	Contract notional amounts As of December 31, 2019 by maturity date			
(€ million)	Total amount	Less than 1 year	from 1 to 5 years	More than 5 years
Electricity purchase instrument:				
• in Gwh	5,158	1,321	3,154	683
• in € million	181	54	106	21
Electricity sales instrument:				
• in Gwh	1,899	1,255	644	0
• in € million	87	55	32	0

Electricity purchase and sales instruments maturing in 2020 have a market value of –€13 million (based on valuation assumptions at the reporting date). Instruments maturing after 2020 have a market value of -€30 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 +€7 million and -€5.5 million, respectively.

	Contract notional amounts As of December 31, 2018 re-presented by maturity date			
(€ million)	Total amount	Less than 1 year	from 1 to 5 years	More than 5 years
Electricity purchase instrument:				
• in Gwh	5,264	1,410	2,773	1,081
• in € million	201	56	104	41
Electricity sales instrument:				
• in Gwh	1,666	845	821	-
• in € million	67	33	34	-

Greenhouse gases

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 IFRS 9 ("own use" exemption), except for certain specific transactions related to the hedging of electricity production activities.

The position in **2019** is as follows:

Volumes *(in thousands of metric tons)*	As of January 1, 2019	Changes in scope of consolidation	Granted	Purchased/ Sold/ Cancelled	Used	As of December 31, 2019
TOTAL	1,015	0	2,054	4,784	(7,369)	484

Free allocations still to be received in respect of phase III of the Emissions Trading Scheme for 2020 are estimated at €31 million for the Group, based on a valuation at the forward price as of December 31, 2019.

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 8.1.1.4 - Non-current and current financial liabilities).

8.3.2.1 Maturity Of Financial Liabilities

As of December 31, **2019**, undiscounted contractual flows on net financial debt (nominal value) break down by maturity date as follows:

	As of December 31, 2019		Maturity of undiscounted contractual flows					
(€ million)	Carrying amount	Total undiscounted contractual flows	2020	2021	2022	2023	2024	Beyond 5 years
Bond issues [(1)]	9,975.8	10,076.8	1,132.9	648.0	1,305.2	615.0	758.0	5,617.7
Other borrowings	5,135.7	5,134.1	4,600.7	119.8	82.9	93.8	28.5	208.4
Gross borrowings excluding IFRS 16 and the impact of amortized cost and hedging derivatives	**15,111.5**	**15,210.9**	**5,733.6**	**767.8**	**1,388.1**	**708.8**	**786.5**	**5,826.1**
IFRS 16 Lease debt	1,883.6	2,081.9	498.5	365.5	285.2	216.5	163.3	552.9
Gross borrowings excluding the impact of amortized cost and hedging derivatives	**16,995.1**	**17,292.8**	**6,232.1**	**1,133.3**	**1,673.3**	**925.3**	**949.8**	**6,379.0**
Impact of derivatives hedging debt	(4.0)	-	-	-	-	-	-	-
Gross borrowings	**16,991.1**	-	-	-	-	-	-	-
Cash and cash equivalents	(5,843.3)							
Liquid assets and financing financial assets	(467.6)							
Net financial debt	**10,680.2**							

(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, **2019** break down as follows:

(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019
Veolia Environnement:		
Undrawn MT syndicated loan facility	3,000.0	3,000.0
Undrawn MT bilateral credit lines	925.0	1,000.0
Undrawn ST bilateral credit lines	-	100.0
Letters of credit facility	64.7	86.8
Cash and cash equivalents (1)	3,510.6	4,635.5
Subsdiaries:	-	-
Cash and cash equivalents (1)	1,238.7	1,675.5
TOTAL LIQUID ASSETS	8,739.0	10,497.8
Current debt and bank overdrafts and other cash position items	-	-
Current debt	5,018.8	5,909.5
Bank overdrafts and other cash position items	215.7	302.2
TOTAL CURRENT DEBTS AND BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS	5,234.5	6,211.7
TOTAL LIQUID ASSETS NET OF CURRENT DEBTS AND BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS (1)	3,504.5	4,286.1

(1) Including liquid assets and finance-related assets included in Net Financial Debt.

As of December 31, 2019, Veolia has total liquid assets of €10.5 billion, including cash and cash equivalents of €6.3 billion.

As of December 31, 2019, cash equivalents are mainly held by Veolia Environnement in the amount of €4,284.0 million. They comprise monetary UCITS of €2,967.8 million and term deposit accounts of €1,314.9 million.

Improved credit outlook

At the end of January 2019, S&P confirmed its rating at A-2/BBB with a stable outlook.

In February 2020, Moody's confirmed Veolia Environnement's credit rating at P-2/Baa1 with a stable outlook.

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

In October 2017, the multi-currency syndicated loan facility initially secured on November 2, 2015 for an amount of €3 billion and with a maturity of 2020, was extended to 2022. It may be drawn in eastern European currencies and Chinese renminbi.

This syndicated loan facility was not drawn as of December 31, 2019.

Renewal of bilateral credit lines

Veolia Environnement has bilateral credit lines for a total undrawn amount of €1,100 million as of December 31, 2019.

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, 2019	Maturing in					
(€ million)	Total	2020	2021	2022	2023	2024	2025
Undrawn syndicated loan facility	3,000.0	-	-	3,000.0	-	-	-
Credit lines	1,100.0	100.0	100.0	300.0	200.0	100.0	300.0
Letters of credit facility	86.8	-	86.8	-	-	-	-
TOTAL	4,186.8	100.0	186.8	3,300.0	200.0	100.0	300.0

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, 2019.

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, 2019			Breakdown by customer type			
(€ 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	1,597.5	(80.3)	1,517.2	1,190.9	-	36.7	289.6
Trade receivables	5.3	7,698.0	(848.5)	6,849.5	1,055.2	1,543.5	1,404.9	2,845.9
Other current operating receivables	5.3	1,372.9	(74.3)	1,298.6	102.5	47.8	53.3	1,095.0
Non-current financial assets in loans and receivables	8.1.2	427.8	(72.7)	355.2	27.5	8.3	13.9	305.5
Current financial assets in loans and receivables	8.1.2	309.9	(37.5)	272.4	30.7	14.7	22.5	204.5
LOANS AND RECEIVABLES		11,406.1	(1,113.3)	10,292.9	2,406.8	1,614.3	1,531.3	4,740.5
Other financial assets	8.1.2	495.0	(9.5)	485.5	9.9	1.4	0.2	474.0
TOTAL AS OF DECEMBER 31, 2019		11,901.1	(1,122.8)	10,778.4	2,416.7	1,615.7	1,531.5	5,214.5
TOTAL AS OF DECEMBER 31, 2018 RE-PRESENTED		10,417.9	(1,041.5)	9,376.4	2,165.9	1,486.3	1,533.4	4,190.8

Assets past due and not impaired break down as follows:

				Assets past due but not impaired		
(€ 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	1,517.2	1,507.5	3.0	3.7	3.0
Trade receivables	5.3	6,849.5	4,842.0	1,527.6	217.8	262.1
Other current operating receivables	5.3	1,298.6	1,123.7	69.9	43.1	61.9
Non-current financial assets in loans and receivables	8.1.2	355.2	355.2	-	-	-
Current financial assets in loans and receivables	8.1.2	272.4	237.2	8.0	2.4	24.8
LOANS AND RECEIVABLES AS OF DECEMBER 31, 2019	-	10,292.9	8,065.6	1,608.5	267.0	351.8
Other non-current and current financial assets	8.1.2	485.5	485.5	-	-	-
TOTAL AS OF DECEMBER 31, 2019	-	10,778.4	8,551.1	1,608.5	267.0	351.8
TOTAL AS OF DECEMBER 31, 2018 RE-PRESENTED	-	9,376.4	7,077.5	1,874.6	240.6	183.7

Assets past due over six months are mainly concentrated in Italy, France, Morocco and Mexico concentrated and due to local authorities.

In Morocco, net trade receivables total €162.0 million as of December 31, 2019,out of which €34.5 million over six months.

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, 2019) 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:

- UCITS satisfying the AMF cash and cash equivalents classification for €2,967.8 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 €1,341.9 million.

8.4 Financial income and expenses

8.4.1 Cost of net financial debt

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 €45.5 million, while finance expenses total -€486.0 million in **2019**.

The cost of net financial debt presented in the Consolidated Cash Flow Statement reflects the cost of net financial debt of continuing operations presented above and the cost of net financial debt of discontinued operations of nil in 2019.

The heading "Interest paid" in the Consolidated Cash Flow Statement reflects the cost of net financial debt of continuing and discontinued operations adjusted for accrued interest of €1.9 million and fair value adjustments to hedging derivatives of -€14.9 million in 2019.

(€ million)	As of December 31, 2018 re-presented	2019
Expenses on gross debt	(318.7)	(348.4)
Assets at fair value through the Consolidated Income Statement (fair value option)*	12.9	13.3
Net gains and losses on derivative instruments, hedging relationships and other	(108.1)	(105.4)
COST OF NET FINANCIAL DEBT	(413.9)	(440.5)

* *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 **2019**:

- a net interest expense on hedging relationships (fair value hedges and cash flow hedges) of -€0.6 million;
- net losses on derivatives not qualifying for hedge accounting of -€102.9 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 2019 or 2018.

8.4.2 Other financial income and expenses

Other financial income and expenses primarily include capital gains and losses on disposals of financial assets, net of disposal costs, the unwinding of discounts on provisions, interests on concession liabilities, interest on IFRS 16 lease debt.

(€ million)	As of December 31, 2018 re-presented	2019
Net gains and losses on loans and receivables	14.0	13.1
Capital gains and losses on disposals of financial assets, net of disposal costs	3.7	325.8
Net gains and losses on available-for-sale assets [1]	4.6	3.4
Assets and liabilities at fair value through the Consolidated Income Statement	(0.1)	0.3
Unwinding of the discount on provisions	(30.4)	(31.3)
Foreign exchange gains and losses	(10.6)	(4.4)
Interests on concession liabilities	(94.2)	(81.3)
Interests on IFRS 16 lease debt	(45.5)	(40.8)
Other	(33.6)	(38.1)
OTHER FINANCIAL INCOME AND EXPENSES	(192.1)	146.7

(1) Including dividends received of €3.4 million as of December 31, 2019, compared with €4.6 million as of December 31, 2018.

In **2019**, other financial income and expenses include the impact of:

- the divestiture of heating and cooling networks in the United States of €269.0 million before tax;
- the divestiture of Foshan for €36.4 million;
- the divestiture of Transdev for €32.7 million.

In **2018**, other financial income and expenses include the impact of:

- fair value remeasurement and sundry financial divestitures in the Czech Republic in 2018 for -€48.3 million;
- the divestiture of Veolia ES Industrial Services Inc. for €36.6 million;
- the divestiture of Juijang in China for €18.5 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:

			Maturing in		
(€ million)	As of December 31, 2018	As of December 31, 2019	Less than 1 year	1 to 5 years	More than 5 years
Letters of credit	32.3	39.6	27.7	2.9	9.0
Debt guarantees	32.3	35.1	15.3	6.8	13.0
Other financing commitments given	77.1	43.9	8.7	27.5	7.7
TOTAL FINANCING COMMITMENTS GIVEN	141.7	118.6	51.7	37.2	29.7

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 €3.7 million as of December 31, 2019 against €3.6 million as of December 31, 2018.

8.5.2 Commitments received

Commitments received total €134.8 million as of December 31, 2019 and €117.1 million as of December 31, 2018.

8.5.3 Collateral guaranteeing borrowings

As of December 31, 2019, the Group has given €148.0 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 (€ million):

Type of pledge /mortgage *(€ million)*	Amount pledged (a)	Total Consolidated Statement of Financial Position (b)	Corresponding% (a)/(b)
Tangible assets	18	7,680	0.2%
Financial assets*	109	1,165	9.4%
Total Non-Current Assets	127	8,845	
Current assets	21	16,926	0.1%
TOTAL ASSETS	148		

* *As a majority of financial assets pledged as collateral are shares of consolidated subsidiaries and other financial assets, the ratio is not significant.*

The breakdown by maturity is as follows:

(€ million)	As of December 31, 2018	As of December 31, 2019	Maturing in Less than 1 year	1 to 5 years	More than 5 years
Property, plant and equipment	**8**	**18**	**6**	**10**	**2**
Mortgage pledge	1	5	4	1	0
Other PP&E pledge (1)	7	13	6	10	2
Financial assets (2)	**108**	**109**	**46**	**61**	**2**
Current assets	**21**	**21**	**21**	**0**	**0**
Pledges on receivables	21	21	21	0	0
TOTAL	137	148	73	71	4

(1) Mainly equipment and traveling systems.
(2) Including non-consolidated investments of €98.8 million and other financial assets (primarily operating financial assets) of €9.6 million as of December 31, 2018, compared with non-consolidated investments of €98.8 million and other financial assets (primarily operating financial assets) of €10.2 million as of December 31, 2019.

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.

On May 28, 2019, Veolia Environnement entered into a new liquidity contract with Kepler Chevreux, effective June 1, 2019, for an initial period expiring on December 31, 2019, tacitly renewable thereafter for periods of one year. This contract complies with the prevailing legal framework.

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 Increase Reserved For Group Employees

In 2019, Veolia Environment performed a share capital increase of €1.2 million by capitalizing reserves, in order to grant five free shares to beneficiary employees as decided by the Board of Directors on May 2, 2018, bringing the share capital to €2,829,128,105.

Veolia then performed a second share capital increase of €25.1 million as part of the 2019 Sequoia employee shareholding plan, using the delegation of authority granted by the Combined General Meeting of April 18, 2019, bringing the share capital to €2,836,332,695. The expenses relating to this transaction were deducted from additional paid-in capital for a net of tax amount of €1.4 million.

9.2.1.2 Number Of Shares Outstanding And Par Value

The number of shares outstanding was 565,593,341 as of December 31, 2018 and 567,266,539 as of December 31, 2019. The par value of each share is €5.

9.2.1.3 Authorized But Unissued Shares

For the financial management of Veolia Environnement, resolutions authorizing share capital increases approved every two years by Veolia Environnement's General Meeting are intended to authorize the Board of Directors to increase the share capital subject to certain conditions and limits. They allow the nature of financial instruments issued to be adapted in line with financing requirements and the situation of the French and international capital markets.

These resolutions are generally divided into two categories and subject to the following share capital increase ceilings:

- resolutions authorizing share capital increases with preferential subscription rights (PSR) subject to a maximum nominal amount capped at €845 million (*i.e.* approximately 30% of the Company's share capital on the date of the General Shareholders' Meeting that approved these resolutions), and
- resolutions authorizing share capital increases without PSR subject to an overall and maximum nominal amount capped at €281 million (*i.e.* approximately 10% of the Company's share capital on the date of the General Shareholders' Meeting that approved these resolutions).

The use of these resolutions may not lead to share capital increase transactions with or without PSR exceeding a second overall ceiling of a nominal amount of €845 million (approximately 30% of the Company's share capital on the date of the General Shareholders' Meeting that approved these resolutions).

All these authorizations are suspended during a public tender offer filed by a third party and aimed at taking control of the Company.

Fiscal years 2018 and 2019

For 2018, authorized but unissued shares under the first category amounted to 169,000,000 shares outstanding on April 19, 2018, the date of the General Shareholders' Meeting voting the authorizations.

As of December 31, 2018, 2,228,518 shares had been issued from among the 169,000,000 above-mentioned authorized shares.

For 2019, authorized but unissued shares under the first category amounted to 169,000,000 shares outstanding on April 18, 2019, the date of the General Shareholders' Meeting voting the authorizations.

As of December 31, 2019, 1,440,918 shares had been issued under the above transaction and 232,280 shares under free share grants, representing a total of 1,673,198 shares.

9.2.2 Offset of treasury shares against equity

Treasury shares are deducted from equity.

Gains or losses arising from the sale of treasury shares and related dividends are recognized directly in equity and do not impact the Consolidated Income Statement.

9.2.2.1 Purchases And Sales Of Treasury Shares

Purchase and sale transactions in Veolia Environnement shares under the liquidity contract in 2019 and 2018 were as follows:

	2018	2019
Number of shares purchased during the year	5,436,308	1,545,769
Number of shares sold during the year	6,630,754	1,535,769

As of December 31, 2018 and 2019, Veolia Environnement did not hold any shares under the liquidity contract. A €20 million drawdown authorization was granted for the operation of this liquidity contract.

12,510,389 and 12,450,465 treasury shares are held as of December 31, 2018 and December 31, 2019, respectively.

9.2.2.2 Equity Risk

As of December 31, 2019, Veolia Environnement holds 12,450,465 of its own shares, of which 8,389,059 are allocated to external growth transactions and 4,061,406 were acquired for allocation to employees under employee savings plans. These shares have a market value of €295.2 million, based on a share price of €23.71 and a net carrying amount of €442.4 million deducted from equity.

9.2.3 Appropriation of net income and dividend distribution

The Combined General Meeting of April 18, 2019 set the cash dividend for 2018 at €0.92 per share. The shares went ex-dividend on May 14, 2019 and the dividend was paid from May 16, 2019 for a total amount of €509.1 million.

A dividend of €462.6 million was distributed by Veolia Environnement in 2018 and €314.5 million deducted from 2017 net income and €148.1 million from retained earnings.

9.2.4 Foreign exchange gains and losses

Accumulated foreign exchange translation reserves total -€102.1 million as of December 31, 2018 represented (attributable to owners of the Company).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi (-€29.3 million), the U.S. dollar (+€31.1 million), the Czech crown (-€31.8 million) and the Hong Kong dollar (-€35.4 million).

Accumulated foreign exchange translation reserves total -€92.6 million as of December 31, 2019 (attributable to owners of the Company).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi (-€10.4 million), the pound sterling (+€31.7 million), the Canadian dollar (+€10.1 million), the Hong Kong dollar (-€19.3 million) and the Argentinian peso (-€34.2 million).

Movements In Foreign Exchange Translation Reserves (Attributable To Owners Of The Company And To Non-Controlling Interests)

(€ million)	Total	o/w Attribuable to owners of the company
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	259.5	206.2
Translation differences on net foreign investments	(308.0)	(308.3)
As of December 31, 2018 re-presented	**(48.5)**	**(102.1)**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	(109.0)	(102.8)
Translation differences on net foreign investments	112.3	112.3
Movements in 2019	**3.3**	**9.5**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	150.5	103.4
Translation differences on net foreign investments	(195.7)	(196.0)
AS OF DECEMBER 31, 2019	(45.2)	(92.6)

Breakdown By Currency Of Foreign Exchange Translation Reserves Attributable To Owners Of The Company

(€ million)	As of December 31, 2018 re-presented	Change	As of December 31, 2019
Chinese renminbi	282.5	(10.4)	272.1
US dollar	135.5	4.2	139.7
Czech crown	18.4	4.0	22.4
Australian dollar	6.5	5.8	12.3
Mexican peso	(22.6)	5.1	(17.5)
Polish zloty	(24.0)	2.7	(21.3)
Argentinian peso	(64.0)	(34.2)	(98.2)
Pound sterling	(185.8)	31.7	(154.1)
Hong Kong dollar	(218.9)	(19.3)	(238.2)
Other currencies	(29.7)	19.9	(9.8)
TOTAL	(102.1)	9.5	(92.6)

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9.2.5 Fair value reserves

Fair value reserves attributable to owners of the Company total -€62.5 million as of December 31, 2018 and -€57.1 million as of December 31, 2019, and break down as follows:

(€ 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, 2018	**7.9**	**(1.0)**	**(3.2)**	**(64.5)**	**(60.8)**	**(62.5)**
Fair value adjustments	5.2	(2.7)	(1.2)	2.4	3.7	5.4
Other movements	(1.5)	1.9	-	(0.4)	-	-
AS OF DECEMBER 31, 2019	11.6	(1.8)	(4.4)	(62.5)	(57.1)	(57.1)

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, 2019, non-controlling interests mainly concern:

- in Europe excluding France: Poland (€186.6 million) and Germany (€194.8 million);
- in the Rest of the World: China (€393.6 million).

The change in non-controlling interests is mainly due to net income for the year (€135.7 million), dividend distributions (-€151.9 million) and movements in scope of consolidation (+€27.0 million).

9.3.2 Net income (loss) attributable to non-controlling interests

Net income attributable to non-controlling interests is €135.7 million for the year ended December 31, 2019, compared with €167.3 million for the year ended December 31, 2018 re-presented.

Net income attributable to non-controlling interests breaks down by operating segment as follows:

(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019
France	0.8	0.7
Europe excluding France (1)	(72.4)	(53.6)
Rest of the World (2)	(86.5)	(70.9)
Global businesses	(9.2)	(11.9)
Other	-	-
NON-CONTROLLING INTERESTS	(167.3)	(135.7)

(1) Including net income attributable to non-controlling interests in China (-€38.0 million) as of December 31, 2019.
(2) Including net income attributable to non-controlling interests in Central Europe (-€43.9 million) as of December 31, 2019.

9.4 Deeply-subordinated securities and OCEANE convertible bonds

9.4.1 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. The bonds convertible and/or exchangeable for new and/or existing shares (“OCEANEs”) issued in March 2016 were redeemed on September 14, 2019. -€5.5 million was recognized in equity as of December 31, 2019.

Veolia Environnement issued on September 12, 2019, as part of a private placement without preferential subscription rights bonds convertible and/or exchangeable for new and/or existing shares (“OCEANEs”) maturing on January 1, 2025, for a nominal value of €700 million (see also note 8.1.1.1).

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 IAS 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, 2018 re-presented [1]	As of December 31, 2019
Weighted average number of ordinary shares *(in millions of shares)*	**551.1**	**553.4**
Weighted average number of ordinary shares for the calculation of basic earnings per share	551.1	553.4
Theoretical number of additional shares resulting from the exercise of share purchase and subscription options	24.8	25.1
Weighted average number of ordinary shares for the calculation of diluted earnings per share *(in millions of shares)*	**575.9**	**578.5**
Net income (loss) attributable to owners of the Company per share *(in millions of euros)*		
Net income (loss) attributable to owners of the Company [2]	374.2	619.4
Net income (loss) attributable to owners of the Company per share:		
Basic	0.68	1.12
Diluted	0.65	1.07
Net income (loss) from discontinued operations attributable to owners of the Company per share *(in millions of euros)*		
Net income (loss) from discontinued operations attributable to owners of the Company	(46.4)	(111.8)
Net income (loss) from discontinued operations attributable to owners of the Company per share:		
Basic	(0.08)	(0.20)
Diluted	(0.08)	(0.19)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE (IN MILLIONS OF EUROS)		
Net income (loss) from continuing operations attributable to owners of the Company	420.6	731.3
Net income (loss) from continuing operations attributable to owners of the Company per share:		
Basic	0.76	1.32
Diluted	0.73	1.26

(1) 2018 adjustments concern the application of IFRS 16 (see note 1.2.2 - new norms and interpretations) and the reintegration of Lithuania accounts previously presented in discontinued operations.
(2) 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 (-€5.5 million in 2019 and -€66.4 million in 2018 represented).

The only potentially dilutive instruments recognized by Veolia Environnement are the share subscription and purchase options presented in Note 6.2.2. and OCEANE convertible bonds.

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 other than income tax, employee or other) arising in the normal course of Veolia's business operations, including adjustments on uncertain tax positions identified but not yet adjusted.

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.

Provisions for closure and post-closure costs encompass the legal or 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 (provision for environmental risks).

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. This asset is amortized during the fiscal year based on its depletion. The costs included take account of the technical and operating characteristics of the sites, as well as applicable regulatory requirements. The monitoring period following the closure of a landfill site depends on the country where the Group operates (France: 30 years; UK: 60 years). Inflation is taken into account in the total cost calculation and, depending on the projected expenditure schedule, a discount rate is applied (based on the country and flow maturities). Provisions are calculated, by site, at the reporting date, taking account of the landfill site fill rate, total estimated costs per year, the scheduled closure date and the discount rate and are recorded progressively over the operating period.

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 **2019** are as follows:

(€ million)	As of December 31, 2018 represen-ted	Addition / Charge	Repay-ment / Uti-lization	Reversal	Actuarial gains (losses)	Unwi-ding of the dis-count	Change in conso-lidation scope	Foreign exchange translation	Non-current / current reclassifi-cation	Other movements	As of December 31, 2019
Tax litigation (1)	50.1	15.8	(8.2)	(8.1)	-	-	1.5	-	-	(2.8)	48.3
Employee litigation	19.9	6.0	(3.8)	(4.5)	-	-	-	(0.1)	-	1.0	18.5
Other litigation	162.1	28.5	(17.1)	(10.2)	-	0.2	0.7	0.4	-	(12.3)	152.3
Contractual commitments	76.5	202.2	(203.9)	(0.9)	-	0.3	-	-	-	(0.1)	74.1
Provisions for work-in-progress and losses to completion on long-term contracts	161.3	42.5	(65.9)	(5.7)	-	4.1	-	1.1	-	1.5	138.9
Closure and post-closure costs	672.5	13.2	(35.5)	(31.4)	-	61.9	(9.5)	10.5	-	(3.0)	678.7
Restructuring provisions	40.5	47.7	(17.6)	(13.4)	-	-	-	0.2	-	(0.1)	57.3
Self-insurance provisions	194.5	125.4	(49.7)	(20.1)	-	1.0	-	0.3	-	-	251.4
Other provisions	190.0	66.4	(50.0)	(43.0)	-	-	6.4	0.6	-	11.9	182.3
Provisions excluding pensions and other employee benefits	**1,567.4**	**547.7**	**(451.7)**	**(137.3)**	**-**	**67.5**	**(0.9)**	**13.0**	**-**	**(3.9)**	**1,601.8**
Provisions for pensions and employee benefits	**728.3**	**62.2**	**(65.3)**	**(7.1)**	**51.6**	**12.2**	**(6.8)**	**4.7**	**-**	**6.2**	**786.0**
TOTAL PROVISIONS	2,295.7	609.8	(517.0)	(144.4)	51.6	79.7	(7.7)	17.7	-	2.3	2,387.8
NON-CURRENT PROVISIONS	1,782.5	339.4	(269.1)	(65.7)	51.6	79.2	(10.5)	14.3	(93.2)	20.1	1,848.7
CURRENT PROVISIONS	513.2	270.4	(247.9)	(78.7)	-	0.5	2.8	3.4	93.2	(17.8)	539.1

(1) Provision other than for income tax.

Provisions for litigation total €219.1 million overall as of December 31, 2019, compared with €232.1 million overall as of December 31, 2018 represented.

The France, Europe excluding France, Rest of the World and Global Businesses operating segments account for €50 million, €78.6 million, €36.3 million and €47.5 million of these provisions, respectively, as of December 31, 2019.

Additional information on the main litigation is presented in Note 12.

As of December 31, 2019, **provisions for contractual commitments** primarily concern the France operating segment in the amount of €44.5 million.

Provisions for work-in-progress and losses to completion on long-term contracts total €138.9 million as of December 31, 2019 and mainly concern the France operating segment in the amount of €29.5 million, the Europe excluding France operating segment in the amount of €28.8 million, the Rest of the World operating segment in the amount of €42.4 million and the Global Businesses operating segment in the amount of €38.3 million.

Provisions for closure and post-closure costs total €678.7 million as of December 31, 2019 compared with €672.5 million as of December 31, 2018 represented and mainly concern the following operating segments:

- France in the amount of €245.9 million in 2019, compared with €244.6 million in 2018 represented;
- Europe excluding France, in the amount of €231.8 million in 2019, compared with €215.8 million in 2018 represented.

The change in these provisions in 2019 is mainly due to the unwinding of the discount in the amount of €61.9 million, net reversals of provisions in the amount of -€53.7 million and foreign exchange translation gains and losses in the amount of €10.5 million.

By nature of obligation, these provisions concern:

- provisions for site rehabilitation in the amount of €632.8 million at the end of 2019 compared with €602.4 million at the end of 2018 represented;
- provisions for environmental risks in the amount of €19.8 million at the end of 2019 compared with €43.9 million at the end of 2018 represented;
- provisions for plant dismantling in the amount of €26.1 million at the end of 2019, compared with €26.2 million at the end of 2018 represented.

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 €36.0 million as of December 31, 2019 with €22.7 million as of December 31, 2018 represented;
- Europe excluding France, in the amount of €48.7 million as of December 31, 2019, compared with €53.1 million as of December 31, 2018 represented;
- the Rest of the world in the amount of €42.9 million as of December 31, 2019 with €39.8 million as of December 31, 2018 represented;
- Global businesses in the amount of €30.1 million as of December 31, 2019 with €50.6 million as of December 31, 2018 represented.

Provisions for pensions and other employee benefits as of December 31, 2019 total €786.0 million, and include provisions for pensions and other post-employment benefits of €693.0 million (governed by IAS 19 and detailed in Note 6.3), and provisions for other long-term benefits of €93.0 million.

NOTE 11 INCOME TAX EXPENSE

11.1 Income taxes

The income tax expense (income) includes the current tax expense (income) and the deferred tax expense (income).

11.1.1 Analysis of the income tax expense

The income tax expense breaks down as follows:

(€ million)	2018 re-presented	2019
Current income tax (expense) income	**(224.5)**	**(331.4)**
France	(15.4)	(33.7)
Other countries	(209.1)	(297.7)
Deferred tax (expense) income	**25.5**	**32.9**
France	19.2	(14.6)
Other countries	6.3	47.5
TOTAL INCOME TAX EXPENSE	(199.0)	(298.5)

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

	2018 re-presented	2019
Net income (loss) from continuing operations (a)	654.3	872.5
Share of net income (loss) of associates (b)	44.2	40.5
Share of net income (loss) of joint ventures (c)	71.4	89.3
Share of net income (loss) of other equity-accounted entities (d)	-	-
Income tax expense (e)	(199.0)	(298.5)
Net income from continuing operations before tax (f) = (a)-(b)-(c)-(d)-(e)	737.7	1,041.2
Effective tax rate -(e)/(f)	**27.0%**	**28.7%**
Theoretical tax rate (1)	**34.4%**	**34.4%**
Net impairment losses on goodwill not deductible for tax purposes	0.0%	0.0%
Differences in tax rate	(12.7)%	(11.1)%
Capital gains and losses on disposals	1.1%	1.4%
Dividends	0.9%	0.9%
Taxation without basis	4.5%	4.6%
Effect of tax projections (2)	(0.3)%	(1.4)%
Other permanent differences	(0.9)%	(0.1)%
EFFECTIVE TAX RATE	27.0%	28.7%

(1) The tax rate indicated is the statutory tax rate in France applicable in fiscal years 2018 and 2019.
(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 **2019** are as follows:

- transactions in countries with a lower tax rate than the French standard rate;
- taxes without tax bases.

It is recalled that the main elements explaining the effective tax rate in **2018** were as follows:

- transactions in countries with a lower tax rate than the French standard rate;
- taxes without tax bases, notably withholding taxes.

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 reporting date, 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 **2019** are as follows:

(€ million)	December 31, 2018 re-presented	Changes in business through net income	Changes in business through equity	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets / Liabilities classified as held for sale	Other	December 31, 2019
Deferred tax, gross	2,170.8	409.1	10.9	13.4	(13.3)	6.7	2.1	2,599.7
Deferred tax assets not recognized	(1,127.4)	(535.9)	(10.5)	2.8	25.4	(1.2)	-	(1,646.8)
DEFERRED TAX ASSETS, NET	1,043.4	(126.8)	0.4	16.2	12.1	5.5	2.1	952.9
DEFERRED TAX LIABILITIES	1,042.6	(170.0)	(0.5)	87.5	13.6	4.1	7.1	984.4

As of December 31, 2019, deferred tax assets not recognized total -€1,646.8 million, including -€1,328.5 million on tax losses and -€318.3 million on timing differences. As of December 31, 2018 re-presented, such deferred tax assets totaled -€1,127.4 million, including -€911.6 million on tax losses and -€215.8 million on timing differences.

Deferred tax assets and liabilities **break down by nature** as follows:

(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019
DEFERRED TAX ASSETS		
Tax losses	1,179.6	1,587.4
Provisions and impairment losses	143.3	148.1
Employee benefits	200.4	218.0
Financial instruments	86.4	60.3
Operating financial assets	40.1	34.4
Fair value of assets purchased	10.0	23.8
Foreign exchange gains and losses	4.1	0.1
Finance leases	38.1	38.3
Intangible assets, PP&E and operating financial assets	96.9	94.8
Other	371.9	394.5
DEFERRED TAX ASSETS, GROSS	2,170.8	2,599.7
DEFERRED TAX ASSETS NOT RECOGNIZED	(1,127.4)	(1,646.8)
RECOGNIZED DEFERRED TAX ASSETS	1,043.4	952.9

(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019
DEFFERED TAX LIABILITIES		
Intangible assets and Property plant and equipment	482.8	438.1
Fair value of assets purchased	162.7	213.6
Operating financial assets	71.3	70.8
Financial instruments	81.6	26.0
Finance leases	50.7	53.9
Provisions	33.7	32.0
Foreign exchange gains and losses	12.4	7.7
Employee benefits	36.1	38.3
Other	111.3	104.0
DEFERRED TAX LIABILITIES	1,042.6	984.4

The breakdown **by main tax group** as of December 31, 2019 is as follows:

(€ million)	Recognized deferred tax assets on tax losses	Recognized deferred tax assets on timing differences	Deferred tax liabilities on timing differences	Net recognized deferred tax position
France Veolia tax group	**1.2**	**77.5**	**(77.5)**	**1.2**
United States tax group	**119.1**	**103.3**	**(134.3)**	**88.1**
TOTAL FOR THE MAIN TAX GROUPS	120.3	180.8	(211.8)	89.3

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		
(€ 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**
United States tax group	119.1	-	**119.1**	(2.0)	(29.2)	**(31.2)**	117.1	(29.2)	**87.9**

The **expiry schedule** for deferred tax assets on tax losses recognized and not recognized as of December 31, 2019 is as follows:

	Maturity				
(€ million)	5 years or less	More than 5 years	Unlimited	Total as of December 31, 2019	Total as of December 31, 2018 represented
Recognized tax losses	18.8	142.5	97.4	258.7	271.9
Tax losses not recognized	83.5	525.1	720.1	1,328.7	908.1

Regardless the positive outcome of the US tax audit, the Group, considering prospects of the US tax group, recognized part of its deferred tax assets.

The increase in tax losses not recognized mainly concerns the favorable settlement of the US tax audit. After activation in 2019, the group has tax losses of $2 billion (base position) in the US to be used before the end of 2026 (see note 11.3).

Deferred tax assets and liabilities **break down by destination** as follows:

(€ million)	As of December 31, 2018 re-presented	As of December 31, 2019
DEFERRED TAX ASSETS, NET		
Deferred tax assets through net income	977.4	885.3
Deferred tax assets through equity	66.0	67.6
DEFERRED TAX ASSETS, NET	1,043.4	952.9
DEFERRED TAX LIABILITIES	-	-
Deferred tax assets through equity	1,014.8	956.0
Deferred tax assets through equity	27.8	28.4
DEFERRED TAX LIABILITIES	1,042.6	984.4

11.3 Tax audits

In the normal course of their business, the Group entities in France and abroad are subject to regular tax audits.

The Group assesses income tax risks in accordance with IFRIC 23, notably by considering that the tax authorities will conduct an audit and will have full knowledge of all relevant information.

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, 2019, 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.

The significant development in 2019 is the favorable settlement of the US dispute.

It is recalled that 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 U.S. tax law. Related tax losses totaled US$4.5 billion (tax base) as of December 31, 2006. Following a long tax audit, the U.S. Internal Revenue Service (IRS) issued a Revenue Agent's Report on November 6, 2018, rejecting the worthless stock deduction and seeking penalties. Veolia filed a detailed protest on December 21, 2018, in which it refuted the merits of the IRS's arguments.

Early April 2019, the IRS informed Veolia that it would not pursue a challenge of the Worthless Stock Deduction, and provided a revised revenue agent's report reflecting that decision.

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, 2019, 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 November, 2011, the Governor of Michigan declared the City of Flint, ("Flint") to be in financial difficulty and appointed an emergency manager ("Emergency Manager") for Flint. In an attempt to save money, the Emergency Manager decided to switch the city's water supply source (previously provided by Detroit) to the Flint River on an interim basis as part of a long-term plan to switch to water from Lake Huron.

In 2013, Flint hired the engineering firm Lockwood, Andrews & Newman ("LAN") to prepare the city water plant to switch water sources. In April 2014, the city water plant began treating Flint River water for distribution to its residents.

Following the switch to Flint River water, 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, to address these water quality issues, Flint hired a US subsidiary of the Company, Veolia Water North America Operating Services, LLC ("VWNAOS") to produce a report, which included a discussion of residual effects of the chlorination process (TTHM), discoloration and taste and odor issues. This one-time review (invoiced at $40,000 USD), was completed by VWNAOS in approximately four weeks. Throughout that time, and subsequently, Flint continued to retain LAN as its primary water engineering consultant. LAN developed a treatment plan for the Flint River water and issued reports to the City of Flint in December 2014 and August 2015 that addressed compliance with the Safe Drinking Water Act. LAN did not raise or address any concerns that the Flint's new water supply could create problems with lead levels in the drinking water.

On February 18, 2015, VWNAOS issued an interim report, based on testing results provided by Flint which included a statement that the drinking water was "safe" in that it complied "with state and federal standards and required testing". During that evening's 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, not VWNAOS, conducted all of the lead testing.

On March 12, 2015, VWNAOS delivered its final report to Flint, which was then subsequently 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. The report also specifically recommended that the City work with the state and City's engineering firm to add a corrosion control plan. It would appear that many of these recommendations were ignored by the City.

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 September 25, 2015, Flint issued a lead advisory to the residents of Flint regarding the presence of lead in the drinking water.

On October 16, 2015, Flint switched their potable water supply source back to the Detroit water system.

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 the water.

On March 21, 2016, the Flint Water Advisory Task Force issued its final report, drafted after interviewing numerous individuals and reviewing many documents. The Task Force report concluded that the responsibility for the Flint water crisis rested largely with several governmental agencies and the City of Flint. The report concluded that the Michigan Department of Environmental Quality and the City of Flint did not require and implement corrosion control at the time the source of the water supply was changed which it found was contrary to requirements imposed by federal law, referred to as the Lead & Copper Rule.

Individual and class actions

Since February 2016, numerous individual complaints and putative class actions have been filed before the Michigan state court and Federal court by Flint residents against a number of defendants, including the State of Michigan, the Michigan Department of Environmental Quality and three of the US subsidiaries of the Company, Veolia North America Inc. VWNAOS and Veolia North America LLC. Flint residents allege injury and damages by exposure to toxins, including lead, contained within Flint River water and have brought several types of claims, including professional negligence and fraud. The court has dismissed the fraud claims.

The Company has been named in a dozen putative class actions and hundreds of individual actions. To date, however, the Company is not a party to any of these actions; only the three US subsidiaries of the Company are active parties in those actions. The mediation is still ongoing.

In January 2018, a mediation process was ordered by the court presiding over the lawsuits in Federal court and that mediation is ongoing. The mediators required the attendance of all parties to the Federal litigation, which includes the three 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 roles in the Flint water crisis. The Attorney General subsequently dismissed that action, and it 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, among other things, professional negligence and fraud. Subsequent to filing the new action, the Attorney General agreed to dismiss the Company without prejudice from the case. On September 12, 2016, stipulations of dismissal were filed with the state court to that effect.

On November 7, 2018, the State of Michigan elected a new Governor and a new Attorney General. The Attorney General then filed, on April 12, 2019, a new amended complaint against, among others, the Company and some of its US subsidiaries. The Company has not been served with that complaint and so it is not currently an active party in this civil action (but its three US subsidiaries are parties).

On November 8, 2019, the court ruled on the motion, dismissing all claims against the Company's US subsidiaries, except for an unjust enrichment claim.

On December 2, 2019, the State, the Company's US subsidiaries, and the LAN defendants, filed motions to reconsider this decision, and those motions are still pending.

Criminal actions

Criminal proceedings were initiated by the Attorney General against fifteen employees of the State of Michigan and the City of Flint for their conduct related to the water crisis in Flint. Of these fifteen employees, seven pleaded guilty. On June 13, 2019, the new Attorney General dropped all charges against the remaining eight employees. The Attorney General has stated that her investigation is ongoing and that further criminal proceedings could be initiated.

The Group strongly contests the merits of all these legal proceedings.

These lawsuits have been reported to the insurers; some of them, availing themselves of one of the exclusion clauses stipulated in their policies, have already indicated that they would deny all coverage for lead damage.

The Group strongly contests this position on the grounds that the exclusion clause for lead damage is inapplicable in this case and, in any event, void because it is contrary to a mandatory rule of article L.113-1 of the French Insurance Code requiring that the exclusion shall be formal and limited and to the assessment made based on case law.

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 were 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 Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) opened 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 fully cooperated with the investigating authorities and, in particular, provided all requested information, in accordance with applicable laws.

In 2017, the Parquet National Financier confirmed that a preliminary investigation has been launched.

At the beginning of 2018, a search took place in the Company's premises in Aubervilliers and some hearing of witnesses were conducted.

At the end of August 2018, one of the Company's subsidiaries was searched in Prague.

By letter July 8, 2019, the SEC informed the Company's US lawyer that it has concluded its investigation and that it does not intend to recommend any enforcement action against the Company.

By order November 1st, 2019, the DNA decided (i) to dismiss the charges of bribery, buying influence and invasion of privacy against ANB and all the named individuals and (ii) to continue the investigations for tax evasion and money laundering against ANB and two of its former executives.

One of the named individuals has filed an appeal from this order, which is still pending.

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 expects the cost incurred to be taken into account and a return on its investment.

Since 2009, 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 public authorities against the Lithuanian subsidiaries of the Group, among others:

- a €19M fine imposed on UVE by the Competition Council;
- the transfer of ownership without compensation of the individual heat exchange sub-stations invested by UVE;
- the unilateral reduction of the heating prices to capture the savings realized with the help of a smoke condenser invested by UVE;
- the retroactive annulment of the heating prices applied by UVE for the period 2011-2015;
- the annulment of the amendments extending the duration of the contract concluded between Litesko and the city of Alytus and the transfer to Alytus of the assets invested by Litesko.

All the harmful decisions taken against the Lithuanian subsidiaries of the Group are subject to pending challenges or appeals before the local courts.

In this context, the Company and its subsidiaries also had to initiate the arbitral proceedings described below.

- ICSID arbitration:

  In January 2016, the Company, Veolia Energie International (successor in law to Veolia Baltics and Eastern Europe), UVE and Litesko (collectively "the Companies") filed a request for arbitration against Lithuania before the International Center for Settlement of Investment Disputes ("ICSID").

  To date, the Companies' claim amounts to circa €80M (not including interest). For its part, Lithuania withdrew its €150M counterclaim in its last submission. This procedure is still pending.

  In June 2018, Lithuania filed an objection to the arbitral tribunal's jurisdiction, based on a decision rendered by the European Court of Justice on March 6, 2018 in the *Achmea* case, in which the Court ruled that investor-state arbitration provisions in intra-EU bilateral investment treaties are incompatible with European Union law. In a declaration dated January 15, 2019, the EU Member States indicated their intention to terminate the intra-EU bilateral investment treaties by December 2019. These developments may have an impact on the ICSID arbitration and, as the case may be, on the enforcement of the future award.

- SCC arbitration:

  In November 2016, in the context of the Vilnius agreement which expiration date was nearly reached (March 2017), the Company and UVE 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. That SCC arbitration has since expanded in scope to address claims by the Company, UVE, Vilnius and municipal company VST ("VST") in connection with the Vilnius lease.

  In this arbitration, the Company and UVE filed a claim for an indemnity of circa €22M. For their part, Vilnius and VST submitted counterclaims quantified to date at circa €690M. This procedure is still ongoing. The Company and UVE vigorously contest Vilnius and VST's counterclaims and seek their dismissal.

Others Segments

VWT v. K+S Potash

On December 1, 2012, Veolia Water Technologies, Inc. ("VWT") signed a $324.5MUSD contract with K + S Potash Canada GP ("KSPC") for the design, supply and commissioning of a evaporation and crystallization system, which includes 14 large evaporators and crystallizers (the "Tanks"), for a potash mine then under construction by KSPC in the province of Saskatchewan, Canada. In this framework, a letter of guarantee at first request was issued by VWT to the benefit of KSPC in the amount of $14.6MUSD.

On July 17, 2016, during the process of commissioning the Tanks, one tank collapsed (the "Incident"). A new replacement tank had to be manufactured and installed. The Incident also damaged other Tanks and plant equipment, which had to be removed and replaced. VWT cooperated with KSPC to determine the cause of the incident. The first investigation, conducted by KSPC, identified a defect in the design of the metal structure supporting the Tanks, for which VWT and one of its subcontractors were responsible. A second investigation conducted by VWT, however, found a defect in the production of the concrete bases to which the metal structure supporting the Tanks was affixed. These concrete bases were in turn built by a subcontractor of KSPC. VWT has repaired the damaged Tanks. These repairs resulted in significant contractual changes ("Change Orders") and additional costs. Mid-June, 2017, a second letter of guarantee at first request was issued by VWT to KSPC in the amount of $15MUSD.

Several procedures are currently in progress.

ADRIC Arbitration Procedure (ADR Institute of Canada)

On August 18, 2017, VWT filed a complaint with the ADRIC seeking KSPC's reimbursement of the costs incurred by the contractual modifications made to carry out repairs linked to the Incident, i.e. $19MUSD. Mid-January 2019, the arbitral tribunal accepted jurisdiction over only some claims (approximately $13.6MUSD). This procedure is stayed due to proceedings initiated by KSCP before the Court of Queen's Bench for Saskatchewan (see below).

Legal Proceedings (the Court of Queen's Bench for Saskatchewan and Paris Commercial Court)

On April 11, 2018, KSPC brought claims against VWT before the Court of Queen's Bench for Saskatchewan in the amount of $180MCAD (approximately €119M) for consequential damages and additional costs of repair in relation to the Incident. On January 18 2019, VWT made a settlement offer to KSPC who refused the offer.

On May 14, 2018, KSPC sought to draw down the first letter of guarantee. On May 18, 2018 the Paris Commercial Court issued a provisional injunction, precluding the bank from paying. The parties have recently withdrawn their claims before the Paris Commercial Court due to proceedings pending before the Court of Queen's Bench for Saskatchewan related to the two letters of guarantee.

On May 23, 2018, VWT filed a request for injunction before the Court of Queen's Bench for Saskatchewan seeking to prevent KSPC from drawing upon either letter of guarantee. The Court of Queen's Bench for Saskatchewan, the Court of Appeal, and then in October 2019 the Supreme Court of Canada dismissed VWT's application. In November 2019, KSPC drew down the second letter of guarantee and requested the Paris Commercial Court to restore the first letter of guarantee case to the trial list. This case is still pending before the Court.

By an Act of May 28, 2018, one of KSPC's subcontractors, AECON, sued KSPC before the Court of Queen's Bench for various claims for damages. On June 28, 2018, KSPC joined VWT as a third party to the proceedings in an attempt to require VWT to indemnify KSPC for a minimum of $466MCAD (approximately €318M) as well as for reimbursement of sums already paid by KSPC to other subcontractors.

These law suits have been reported to insurance companies, which have already covered part of the expenses incurred.

The Group strongly contests the merits of all these legal proceedings.

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 6.2.

A breakdown of relations with joint ventures is presented in Note 5.2.4.1.

Relations with other related parties break down as follows:

Relations with ICADE SA, a subsidiary of Caisse des depôts et Consignations (5.88% shareholding as of December 31, 2019)

On January 31, 2013, ICADE SA and Veolia Environnement entered into a firm lease for premises to be completed for the building housing of Veolia's administrative headquarters in Aubervilliers. This nine-years commercial lease took effect on July 18, 2016 and the annual rent for the buiding is €16,590,104 excluding taxes and VAT.

Veolia Environnement recorded rental expenses of € 17,265,470 in respect of fiscal year 2019.

Caisse des dépôts et consignations (CDC) and its subsidiary, Icade SA, are considered related parties in the context of this lease agreement. CDC has a seat on the Veolia Environnement Board of Directors, as a legal entity, and also sits on the Icade SA Board of Directors. In addition, Olivier Mareuse, the representative of CDC on the Veolia Environnement Board of Directors, also sits on the Icade SA Board of Directors, as a private individual.

Relations with SM Conseil

Following the death of Mr. Serge Michel on March 15, 2019, the service contract agreed between Veolia Environnement and SM Conseil SAS on March 20, 2017 was ended early, effective March 1, 2018.

This service agreement, for memory, was 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.

The company SM Conseil SAS was chaired by Serge Michel who exercised, in addition, the role of non-voting member(censeur) of the Board of Directors.

This agreement provided for payment to SM Conseil of fixed remuneration of €400,000 per annum, adjusted in line with the SYNTEC index. It did not provide for the payment of “success fees”.

Remuneration of €68,673 was paid by Veolia Environnement to SM Conseil under this agreement and in respect of early termination for fiscal year 2019, corresponding to services rendered in January and February 2019.

NOTE 14 SUBSEQUENT EVENTS

Hazardous Waste Development In North America

On December 20, 2019, the Group announced it had signed an agreement to take over Alcoa USA Corporation's hazardous waste treatment site in Gum Springs, Arkansas (United States), through its subsidiary, Veolia North America, adding to the Group's hazardous waste treatment activities in the region. The transaction has been finalized on January 31, 2020 for a consideration of US$250 million.

Bond issue

On January 8, 2020, Veolia Environnement successfully issued a €500 million 11-year bond, with a January 2031 maturity. This bond bears a coupon of 0.664% and was issued at par. The proceeds of this issuance will be used for general corporate purposes, and in particular in anticipation of bond repayments at the end of 2020. The high over-subscription rate, the quality of the investor base, their good diversification (over 160 orders from Europe and Asia) and the good conditions which were achieved are signals that Veolia's signature is viewed very favorably and of its financial strength.

NOTE 15 MAIN COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

In 2019, Veolia Group consolidated or accounted for a total of 1,682 companies, of which the main companies are:

Company and address	French company registration number (Siret)	Consolidation method [1]	% 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	99.62	99.62
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

(1) Consolidation method: FC: Full consolidation –EA: Equity associate

Company and address	French company registration number (Siret)	Consolidation method [1]	% control	% interest
Société des Eaux de Marseille 25, rue Edouard-Delanglade 13006 Marseille	057 806 150 00017	FC	98.43	98.43
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
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 (Allemagne)		FC	100.00	100.00
Braunschweiger Versorgungs- AG &Co.KG Taubenstrasse 7 38106 Braunschweig (Germany)		FC	74.90	50.11
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	433 934 809 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	83.05
Prazske Vodovody A Kanalizace a.s. Ke Kablu 971/1 102 00 Prague 10 (Czech Republic)		FC	51.00	51.00

(1) Consolidation method: FC: Full consolidation –EA: Equity associate

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Company and address	French company registration number (Siret)	Consolidation method [1]	% control	% interest
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	99.99
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	99.99
Veolia Espana S.L.U. and its subsidiaries Cl Juan Ignacio Luca De tena. 4 28027 Madrid (Spain)		FC	100.00	99.99
Veolia Energia Polska ul. Puławska 2. Budynek Plac Unii C 02-566 WARSZAWA (Poland)		FC	60.00	60.00
Veolia Term SA and its subsidiaries ul Pulawska 2. 02-566 WARSZAWA (Poland)		FC	100.00	60.00
Veolia Energia Warszawa and its subsidiary ul Pulawska 2. 02-566 WARSZAWA (Poland)		FC	97.09	58.25
Veolia Nordic AB and its subsidiaries Hälsingegatan 47 113 31 Stockholm (Sweden)		FC	100.00	99.99
Veolia Nederland BV and its subsidiaries Wattbaan 2 3439 ML NIEUWEGEIN (Netherlands)		FC	100.00	99.99
Vilnius Energija Joconiu St. 13 02300 VILNIUS (Lituania)		FC	100.00	99.99
Veolia Energy Hungary Co Ltd and its subsidiaries Szabadsag ut 301 2040 Budapest (Hungry)		FC	99.98	99.97
Veolia Energia Slovensko A.S. and its subsidiaries Einsteinova 25 851 01 BRATISLAVA (Slovakia)		FC	100.00	99.99
Veolia Energie CR A.S. and its subsidiaries 28.Rijna 3123/152 709 74 Ostrava (Czech Republic)		FC	83.06	83.05
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

(1) Consolidation method: FC: Full consolidation –EA: Equity associate

Company and address	French company registration number (Siret)	Consolidation method [1]	% control	% interest
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 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
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
Veolia Korea and its subsidiaries East 16 F SFCnature 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
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 Water Supply (Group) Co LTD No. 2 Hua Gong Street. XFCu 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 No2 Xinxiang Road. Bridge 4 Jin Tang Expressway. Dongli District Tianjin Municipality (Chine)		EA	49.00	49.00

(1) Consolidation method: FC: Full consolidation –EA: Equity associate

Company and address	French company registration number (Siret)	Consolidation method [1]	% control	% interest
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) et ses filiales ZAC François Ory 23/25 avenue du docteur Lannelongue 75014 Paris	562 077 503 02584	FC	100.00	99.47
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
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 HFCh street. suite 330. Palo Alto 94301 CA Californie (United States)		FC	100.00	100.00
OTHER				
Veolia Energie International 21 rue La Boétie 75008 Paris	433 539 566 00045	FC	99.99	99.99

(1) 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 NAME	COUNTRY	CURRENCY
	ALTVATER CHERNIVZY	Ukraine	UAH
	ALTVATER KIEV	Ukraine	UAH
	ALTVATER TERNOPIL	Ukraine	UAH
	BIOCYCLING GmbH	Germany	EUR
	BIOMASSEANLAGE ESSENHEIM GmbH	Germany	EUR
	BRAUNSCHWEIGER NETZ GmbH	Germany	EUR
	BRAUNSCHWEIGER VERSORGUNGS-AG & Co. KG	Germany	EUR
	BRAUNSCHWEIGER VERSORGUNGS-VERWALTUNGS-AG	Germany	EUR
	DRESDNER ABFALLVERWERTUNGS GmbH	Germany	EUR
	EUROLOGISTIK UMWELTSERVICE GmbH	Germany	EUR
	GASVERSORGUNG GÖRLITZ GmbH	Germany	EUR
	GERAER STADTWIRTSCHAFT GmbH	Germany	EUR
	GLOBALIS BETEILIGUNGSGESELLSCHAFT GmbH	Germany	EUR
Yes	GLOBALIS SERVICE GmbH & CO. KG	Germany	EUR
Yes	GUD GERAER UMWELTDIENSTE GmbH & Co. KG	Germany	EUR
	GUD GERAER UMWELTDIENSTE VERWALTUNGS GmbH	Germany	EUR
	HVT Handel Vertrieb Transport GmbH	Germany	EUR
	INTROTEC SCHWARZA GmbH	Germany	EUR
	JOB & MEHR GmbH	Germany	EUR
	KANALBETRIEBE FRITZ WITHOFS GmbH	Germany	EUR
	KOM-DIA GmbH	Germany	EUR
	MULTIPET GmbH	Germany	EUR
	MULTIPORT GmbH	Germany	EUR
	ÖKOTEC ENERGIEMANAGEMENT GmbH	Germany	EUR
	ONYX ROHR- UND KANAL-SERVICE GmbH	Germany	EUR
	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
	STADTENTWAESSERUNG BRAUNSCHWEIG GmbH	Germany	EUR
	STADTREINIGUNG DRESDEN GmbH	Germany	EUR
	STADTWERKE GÖRLITZ **Aktiengesellschaft**	Germany	EUR
	STADTWERKE PULHEIM DIENSTE GmbH	Germany	EUR
	STADTWERKE WEISSWASSER GmbH	Germany	EUR
	STRATMANN ENTSORGUNG GmbH	Germany	EUR
	VBG VERWALTUNGS- UND BETEILIGUNGSGESELLSCHAFT GmbH	Germany	EUR
	VEOLIA BS ENERGY BETEILIGUNGS GmbH	Germany	EUR
	VEOLIA DEUTSCHLAND GmbH	Germany	EUR
	VEOLIA ENERGIE DEUTSCHLAND GmbH	Germany	EUR
	VEOLIA ENVIRONNEMENT LAUSITZ GmbH	Germany	EUR
	VEOLIA GEBÄUDESERVICE DEUTSCHLAND GmbH	Germany	EUR
	VEOLIA INDUSTRIE DEUTSCHLAND GmbH	Germany	EUR

Publication exemption	COMPANY NAME	COUNTRY	CURRENCY
	VEOLIA INDUSTRIEPARK DEUTSCHLAND GmbH	Germany	EUR
	VEOLIA INFRA KLÄRSCHLAMM DEUTSCHLAND GmbH	Germany	EUR
	VEOLIA KLÄRSCHLAMMVERWERTUNG DEUTSCHLAND GmbH	Germany	EUR
	VEOLIA PET GERMANY GmbH	Germany	EUR
	VEOLIA PET SVENSKA AB	Sweden	SEK
	VEOLIA STADTWERKE BRAUNSCHWEIG BETEILIGUNGS- GmbH & Co.KG	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 RESSOURCENMANAGEMENT GmbH	Germany	EUR
Yes	VEOLIA UMWELTSERVICE SÜD GmbH & Co. KG	Germany	EUR
	VEOLIA UMWELTSERVICE SÜD VERWALTUNGS GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE WERTSTOFFMANAGEMENT GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE WEST GmbH	Germany	EUR
	VEOLIA VERWALTUNGSGESELLSCHAFT GmbH	Germany	EUR
	VEOLIA WASSER DEUTSCHLAND GmbH	Germany	EUR
	VEOLIA WASSER KÖNIGSBRÜCK GmbH	Germany	EUR
	VEOLIA WASSER STORKOW GmbH	Germany	EUR
	VEOLIA WASSER WAGENFELD GmbH	Germany	EUR
	VEOLIA WASSER WAGENFELD VERWALTUNGS GmbH	Germany	EUR
	VEOLIA WASSER WEGELEBEN GmbH	Germany	EUR
	VKD Holding GmbH	Germany	EUR
	WASTEBOX DEUTSCHLAND GmbH	Germany	EUR

NOTE 16 AUDIT FEES

Audit fees incurred by the Group during fiscal years 2019 and 2018 total €28.1 million and €27.2 million, respectively, including:

- €22.7 million in 2019 and €22.6 million in 2018 in respect of the statutory audit of the accounts; and
- €5.4 million in 2019 and €4.6 million in 2018 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, 2019

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, 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2019 and of the results of its operations for the year then ended 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 work 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 engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically 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.

Observation

We draw your attention to Note 1.2.2 to the consolidated financial statements notably setting out the method and impact of first-time application, as of January 1, 2019, of IFRS 16, Leases. 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 you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed 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 Mexico, Poland, Germany, Czech Republic/Slovakia and Chinese Concession cash-generating units

Notes 7.1.1, 7.1.2 and 5.2.4.1 to the consolidated financial statements

Risk identified

As of December 31, 2019, the total net carrying amount of goodwill is €5,128 million. Goodwill of the Chinese concession joint ventures is €227 million (Group share) as of December 31, 2019. 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 is the higher of fair value less costs to sell and 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 or group of 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 Mexico, Poland and Germany CGUs, indicate that a change in assumptions produces recoverable amounts lower than the net carrying amounts, as disclosed in Note 7.1.2 to the consolidated financial statements.

Sensitivity tests performed on the Czech Republic/Slovakia CGU produced a recoverable amount in excess of the net carrying amount.

However, the value of this 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 review of the implementation of this methodology for these CGUs and notably assessed:

- 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 consistency of discount rates and long-term growth rates adopted with the type of underlying assets;
- 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.

Assessment of the recoverable amount of intangible assets, property, plant and equipment and operating financial assets of contracts

Notes 5.2.1, 5.4, 7.2 and 7.3 to the consolidated financial statements

Risk identified

As of December 31, 2019, the net carrying amount of the Group's intangible assets, property, plant and equipment and operating financial assets is €3,517 million, €7,680 million and €1,517 million, respectively. 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.) as disclosed in Notes 7.2 and 7.3 to the consolidated financial statements. The recoverable amount generally corresponds to the value in use, which is equal to the present value of future cash flows expected to be derived from these assets or groups of assets as disclosed in Notes 5.2.1 and 5.4 to the consolidated financial statements.

Determining value in use requires the Group to make significant judgments; we have therefore considered the valuation of intangible assets, property, plant and equipment and operating financial assets of contracts 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 review of the implementation of this methodology and notably assessed the contracts identified 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 with respect to long-term growth rates and market data for each geographic zone.

First-time application of IFRS 16, Leases

Notes 1.2.2, 5.4, 7.3.2, 8.1.1 and 8.4.2 to the consolidated financial statements

Risk identified

As disclosed in Note 1.2.2 to the consolidated financial statements, the Group adopted the new standard IFRS 16, Leases, from January 1, 2019. Pursuant to this standard, all leases are recognized in accordance with a single model for lessees, with recognition of a "right-of-use asset" and a "lease debt".

The Group did not re-assess contracts identified as containing or not containing a lease under the previous standard.

The Group elected to apply IFRS 16 using the full retrospective method with recognition of the impacts in the opening balance sheet as of January 1, 2018. It therefore determined the right-of-use asset and the lease debt taking account, notably, for each lease, of the lease term and the discount rate.

First-time application of the standard led to the recognition in assets of lease right-of-use assets with a net carrying amount of €1,679 million and €1,698 million as of January 1, 2018 and January 1, 2019, respectively and in liabilities of IFRS 16 lease debts of €1,981.2 million and €1,883.6 million as of January 1, 2018 and January 1, 2019, respectively. Application of IFRS 16 also led to an increase in operating income of €43.7 million and in net income of €1.3 million in fiscal year 2018.

We considered the first-time application of the new lease standard to be a key audit matter given the large volume of data concerning leases to be collected, the material amount of the right-of-use asset and of the lease debt in the consolidated financial statements, the need to re-establish the history of leases and the level of management judgment required to determine the lease term and discount rates.

Our response

Our audit approach consisted in assessing the compliance with the provisions of IFRS 16, Leases, of the methodology adopted by the Group to determine the main assumptions and notably those relating to lease terms and discount rates.

We familiarized ourselves with the organization, information system and controls ensuring the correct calculation of the lease debt and right-of-use asset as of the transition date, implemented by management to apply this standard.

Our procedures also mainly consisted in:

- assessing the procedures implemented by management to identify all leases to be restated:

- we obtained the instructions prepared by the Group and sent to subsidiaries and analyzed whether their design enabled the identification and inventory of all leases and the collection for each lease of all information necessary to calculating the lease debt and the right-of-use asset;
- for the parent company and a sample of subsidiaries, we assessed the consistency of the reconciliation of the lease expense recorded in the separate financial statements and that recognized in the consolidated financial statements for the calculation of the lease debt for leases recorded in the information system.

- testing the configuration of the information system implemented by the Group to determine the accounting impacts of the standard.
- analyzing the amount of the lease debts and the right-of-use assets measured and recognized by the Group in the consolidated financial statements. To this end and based on a sample of leases, we:
  - assessed, taking account of the specific characteristics of the lease, the compliance of the restatements performed with regard to IFRS 16;
  - compared the information collected for the measurement of the lease debt and the right-of-use asset with data specific to the lease, taking account of any amendments and historical data since inception of the lease;
  - with regard to the lease term adopted, assessed the criteria taken into account by management and reconciled this term with the lease provisions;
  - with regard to discount rates applied to measure the lease debt, assessed the compliance of the methodology used with IFRS 16 and compared the discount rate factors with market data, taking into account the terms of the underlying leases.

We assessed whether the notes to the consolidated financial statements contained appropriate disclosures on the impacts of adoption of the new standard, the accounting policies applied and the main judgments made by the Group.

Contingent liabilities relating to litigation: in the United States – Flint and K+S Potash – in Romania and Lithuania

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. The disputes relating to legal, administration or arbitration proceedings disclosed in Note 12, due to their amount or the parties involved, represent a greater exposure for the Group.

As disclosed in Note 10 to the consolidated financial statements, 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, Group estimates to determine any provisions were made in an uncertain context as to their outcome.

As disclosed in Note 12 to the consolidated financial statements and in accordance with IAS 37, where the outcome of legal, administration or arbitration proceedings is uncertain, the Group does not consider it appropriate to recognize a provision, or where applicable an additional provision, in respect of these proceedings, but discloses them in the notes to the consolidated financial statements.

We considered this issue to be a key audit matter due to the amounts involved and the management judgment involved in assessing the uncertain outcome of these litigations.

Our response

As part of our audit of the consolidated financial statements, our work consisted in:

- assessing the procedures implemented by the Company 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;
- analyzing the information on the ongoing proceedings and the probable financial consequences communicated to us by the Group's external advisors in response to our circularization letters;
- 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 verifications

As required by law and regulations, we have also verified in accordance with professional standards applicable in France the information pertaining to 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.

We attest that the non-financial statement required by Article L.225-102-1 of the French Commercial Code (Code de commerce) is included in the management report, being specified that, in accordance with the provisions of Article L.823-10 of the Code, we have not verified the fair presentation and the consistency with the financial statements of the information contained therein.

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' Meetings of December 18, 1995 for KPMG SA and December 23, 1999 for Ernst & Young et Autres.

As of December 31, 2019, KPMG SA was in the twenty-fifth year of total uninterrupted engagement and Ernst & Young et Autres the twenty-first year, including twenty years since securities of the Company were admitted to trading on a regulated market, respectively.

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

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is 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 in Article L. 823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality with which the Company's management has conducted or will conduct the affairs of the entity.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and:

- 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 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. These conclusions are 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, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses 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 entities or 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 provided for 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 the related safeguards.

The Statutory Auditors

Paris-La Défense, March 16, 2020

KPMG Audit		ERNST & YOUNG et Autres	
A Division of KPMG S.A.			
Valérie Besson	Baudoin Griton	Jean-Yves Jégourel	Quentin Séné

4.2 Company Financial Statements AFR

4.2.1 BALANCE SHEET AS OF DECEMBER 31, 2019

Assets

(in € thousand)	As of December 31, 2019 Gross	As of December 31, 2019 Deprec., amort & impairment	As of December 31, 2019 Net	As of December 31, 2018 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	240,098	213,617	26,481	26,853
Purchased goodwill (1)	-	-	-	-
Other intangible assets	-	-	-	-
Intangible assets in progress	13,488	48	13,440	16,607
Property, plant and equipment				
Land	-	-	-	-
Buildings	-	-	-	-
Industrial and technical plant	-	-	-	-
Other property, plant and equipment	38,915	23,982	14,933	18,624
Property, plant and equipment in progress	447	-	447	696
Payments on account - PP&E	-	-	-	-
Long-term loans and investments (2)				
Equity investments	13,757,499	2,216,721	11,540,778	11,322,327
Loans to equity investments	11,437,703	106,350	11,331,353	10,619,719
Long-term portfolio investments	6,632	-	6,632	6,327
Other long-term investment securities	7,153	-	7,153	3,483
Loans	1,176,214	-	1,176,214	935,798
Other long-term loans and investments	749,571	103,892	645,679	602,739
TOTAL (I)	27,427,720	2,664,610	24,763,110	23,553,173

(in € thousand)	As of December 31, 2019 Gross	As of December 31, 2019 Deprec., amort & impairment	As of December 31, 2019 Net	As of December 31, 2018 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	**3,420**	**-**	**3,420**	**416**
Receivables (3)				
Operating receivables:				
Trade receivables and related accounts	113,539	10,944	102,595	141,900
Other receivables	1,856,086	40,699	1,815,387	1,669,363
Miscellaneous receivables:				
Share capital subscribed and called but not paid in	-	-	-	-
Marketable securities				
Treasury shares	91,018	-	91,018	75,160
Other securities	2,968,283	-	2,968,283	2,347,045
Treasury instruments	151,302	-	151,302	104,858
Cash at bank and in hand	**491,448**	**-**	**491,448**	**228,758**
Prepayments (4)	**73,537**	**-**	**73,537**	**75,001**
TOTAL (II)	5,748,633	51,643	5,696,990	4,642,501
Accrued income and deferred charges				
Deferred charges (III)	58,707	-	58,707	64,355
Bond redemption premiums (IV)	111,128	-	111,128	129,386
Unrealized foreign exchange losses (V)	1,838,320	-	1,838,320	1,667,265
GRAND TOTAL (I+II+III+IV+V)	35,184,508	2,716,254	32,468,254	30,056,680
(1) Of which leasehold rights			*-*	*-*
(2) Portion due in less than one year			*632,699*	*274,077*
(3) Portion due in more than one year			*21,381*	*125,891*
(4) Portion due in more than one year			*53,447*	*61,489*

Liabilities

(in € thousand)	As of December 31, 2019	As of December 31, 2018
Shareholders' equity		
Share capital (of which paid in: 2,836,333)	2,836,333	2,827,967
Additional paid-in capital	7,010,577	6,995,196
Revaluation reserves	-	-
Equity-accounting revaluation reserve	-	-
Reserves		
Reserve required by law	282,797	281,682
Reserves required under the Articles of Association or contractually	-	-
Special long-term capital gains reserve	-	-
Other reserves	-	-
Retained earnings	527,489	154,594
Net income for the year	1,058,299	883,060
Sub-total: Shareholders' Equity	11,715,495	11,142,499
Investment subsidies	-	-
Tax-driven provisions	7,119	6,751
TOTAL (I)	11,722,614	11,149,250
Equity equivalents		
Proceeds from issues of equity equivalent securities	-	-
Subordinated loans	-	-
Other	-	-
TOTAL (I *BIS*)		
Provisions		
Provisions for contingencies	37,031	45,823
Provisions for losses	7,107	6,179
TOTAL (II)	44,138	52,002

(in € thousand)	As of December 31, 2019	As of December 31, 2018
Liabilities (1)		
Convertible bonds	-	-
Other bond issues	10,114,400	9,936,330
Bank borrowings (2)	349,099	54,176
Other borrowings (3)	8,046,965	7,005,682
Payments received on account for work-in-progress	-	-
Operating payables		
Trade payables and related accounts	113,198	101,215
Tax and employee-related liabilities	76,654	77,237
Other operating payables	-	-
Miscellaneous liabilities		
Amounts payable in respect of PP&E and related accounts	5,795	8,720
Tax liabilities (income tax)	-	-
Other miscellaneous liabilities	62,446	36,689
Treasury instruments	242,807	97,565
Accrued income and deferred charges		
Deferred income (1)	**88,771**	**100,090**
TOTAL (III)	**19,100,135**	**17,417,704**
UNREALIZED FOREIGN EXCHANGE GAINS (IV)	**1,601,367**	**1,437,724**
GRAND TOTAL (I+II+III+IV)	**32,468,254**	**30,056,680**
(1) Portion due in more than one year	*8,964,408*	*9,178,259*
Portion due in less than one year	*10,135,727*	*8,239,445*
(2) Of which overdrafts and current bank facilities	*78,430*	*54,176*
(3) Of which equity equivalent loans	-	-

4.2.2 INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

(in € thousand)	2019	2018
Operating revenue [1]		
Sales of bought-in goods	-	-
Sales of own goods and services	505,580	524,879
Net sales	505,580	524,879
Of which export sales		
Changes in inventory of own production of goods and services	-	-
Own production capitalized	9,252	15,150
Operating subsidies	13	23
Write-back of provisions (and depreciation and amortization) and expense reclassifications	17,902	42,147
Other revenue	83,597	88,086
TOTAL (I)	616,344	670,285
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*	297,645	288,599
Duties and taxes other than income tax	17,282	19,018
Wages and salaries	137,281	139,234
Social security contributions	71,638	82,478
Depreciation, amortization, impairment and charges to provisions:		
On non-current assets: depreciation and amortization	34,661	31,211
On non-current assets: impairment	426	2,467
On current assets: impairment	1,926	6,718
For contingencies and losses: charges to provisions	4,400	3,638
Other expenses	108,051	124,230
TOTAL (II)	673,310	697,593
1. OPERATING LOSS (I – II)	(56,966)	(27,308)
Joint venture operations	**647**	**460**
Profits transferred in or losses transferred out (III)	647	460
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)	2019	2018
Financial income [3]		
Financial income from equity investments	880,446	869,113
Financial income from other securities and long-term receivables	3,534	4,114
Other interest and similar income	144,860	138,864
Write-back of provisions for financial items, impairment and expense reclassifications	819,740	373,115
Foreign exchange gains	641,106	790,343
Net proceeds from sales of marketable securities	-	275
TOTAL (V)	2,489,686	2,175,824
Financial expenses		
Amortization, impairment and charges to provisions for financial items	21,151	42,175
Interest and similar expenses [4]	498,021	482,279
Foreign exchange losses	638,679	764,379
Net expenses on sales of marketable securities	3,441	6,881
TOTAL (VI)	1,161,292	1,295,714
2. NET FINANCIAL INCOME (V-VI)	1,328,394	880,110
3. NET INCOME FROM ORDINARY ACTIVITIES BEFORE TAX (I-II+III-IV+V-VI)	1,272,074	853,262
Exceptional income		
Exceptional income from non-capital transactions	57	3
Exceptional income from capital transactions	340,370	582
Write-back of provisions, impairment and expense reclassifications	6,828	252
TOTAL (VII)	347,255	837
Exceptional expenses		
Exceptional expenses on non-capital transactions	4,009	916
Exceptional expenses on capital transactions	630,001	40,028
Amortization, impairment and charges to provisions	2,348	3,788
TOTAL (VIII)	636,358	44,732
4. NET EXCEPTIONAL ITEMS (VII-VIII)	(289,103)	(43,895)
STATUTORY EMPLOYEE PROFIT-SHARING (IX)	-	-
INCOME TAX EXPENSE (X)	75,327	73,693
TOTAL INCOME (I+III+V+VII)	3,453,932	2,847,406
TOTAL EXPENSES (II+IV+VI+VIII+IX-X)	2,395,633	1,964,346
NET INCOME/(LOSS)	1,058,299	883,060
(3) Of which income from related parties	*1,826,825*	*1,058,533*
(4) Of which interest charged by related parties	*22,800*	*23,134*

4.2.3 PROPOSED APPROPRIATION OF 2019 NET INCOME

(in euros)	2019
2019 Net income	**1,058,299,426**
Distributable reserves	7,010,577,431
Prior year retained earnings	527,489,476
i.e. a total of	**8,596,366,333**
To be appropriated as follows (1)	
• to the reserve required by law	836,599
• to dividends (€1.00 x 554,816,074 shares) (2)	554,816,074
• to retained earnings	1,030,136,229
Shareholders' equity accounts after appropriation and distribution of the dividend	
Share capital	2,836,332,695
Additional paid-in capital	7,010,577,431
Reserve required by law	283,633,270
2019 retained earnings	**1,030,136,229**
TOTAL (3)	11,160,679,625

(1) Subject to the approval of the General Shareholders' Meeting.
(2) The total dividend distribution presented in the above table is calculated based on 567,266,539 shares outstanding as of December 31, 2019, less 12,450,465 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 "2019 retained earnings" and/or "distributable reserves" may change depending on the definitive dividend amount paid.
(3) After appropriation of the net income and distribution of the proposed dividend for 2019, the shareholders' equity of the Company shall be €11,160,679,625.

4.2.4 STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(in € thousand)	2019	2018
Source of funds		
Operating cash before changes in working capital (1)	529,980	563,236
Disposals or decreases in non-current assets:		
• Disposals of intangible assets and PP&E	-	-
• Disposals of equity investments (2)	340,062	0
• Disposals of long-term investment securities	-	-
Repayment of financial receivables (long-term advances)	259,522	32,001
Repayment of other long-term loans and investments	878	16,018
Increase in shareholders' equity (3)	23,747	32,479
New borrowings	1,909,049	877,581
TOTAL SOURCE OF FUNDS	3,063,238	1,521,315
Application of funds		
Dividend distribution (including registration fees)	509,050	462,640
Acquisitions or increases in non-current assets:		
• Intangible assets and Property, plant and equipment	14,616	18,510
Long-term loans and investments:		
• Equity investments	45,152	51,793
• Long-term financial receivables	810,216	885,814
• Long-term portfolio investments	305	1,637
Other long-term loans and investments	240,084	190,627
Decrease in shareholders' equity	-	-
Principal payments on borrowings	1,504,321	1,953,430
TOTAL APPLICATION OF FUNDS	3,123,744	3,564,451
Increase/decrease in working capital requirements	(60,506)	(2,043,136)
TOTAL	3,063,238	1,521,315

(1) Decrease of €7.8 million in operating items: decrease of €23.5 million in foreign exchange gains, increase of €11.3 million in investment income and decrease of €9 million in exceptional items.
(2) Veolia Environnement sold its residual 30% stake in Transdev Group for €340 million.
(3) Share capital increases, net of issue costs, relating to employee share ownership plans.

4.2.5 NOTES TO THE COMPANY FINANCIAL STATEMENTS

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NOTE 1 MAJOR EVENTS OF THE PERIOD

1.1 Divestiture of Transdev Group

On January 9, 2019, Veolia closed the sale to the German group, Rethmann, of its residual 30% stake in Transdev Group, marking the end of its withdrawal from the Transport business.

1.2 Events relating to bond issues

1.2.1 Bond issues

On January 14, 2019, Veolia Environnement issued at par a €750 million bond issue, maturing in January 2024 (five years) and bearing a coupon of 0.892%.

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

On September 12, 2019, Veolia Environnement completed an offering of bonds convertible into and/or exchangeable for new and/or existing shares ("OCEANE") maturing January 1, 2025 by way of a private placement without shareholders' preferential subscription rights, of a nominal amount of €700 million.

These bonds will not bear interest and were issued at a share price (rounded) of €31.40, corresponding to an actuarial gross yield at maturity of -0.6023%. The bonds have a nominal unit exercise value of €30.41 representing a premium of 35% above the Company's reference share price on the issue date.

1.2.3 Panda bond issue

On December 17, 2019, Veolia Environnement successfully issued a bond of a nominal amount of 1.5 billion renminbi (€192.2 million) on the Chinese domestic market (Panda Bond).

These bonds were issued via a private placement and bear interest of 3.7% for a 1 year maturity.

1.2.4 Redemption of a bond line

On April 24, 2019, Veolia Environnement redeemed the euro bond line in the nominal amount of €461.9 million.

1.2.5 Redemption of two Panda bond lines

The redemptions mainly include the following maturities:

- August 10, 2019, for the renminbi bond line of a nominal amount of 1 billion renminbi (€125.5 million equivalent);
- September 2, 2019, for the renminbi bond line of a nominal amount of 1 billion renminbi (€126.7 million equivalent).

1.2.6 Redemption of 2016 OCEANE bonds

On September 13, 2019, Veolia Environnement redeemed the bonds convertible into and/or exchangeable for new and/or existing shares ("OCEANE") issued in March 2016. This redemption concerned 93% of the OCEANE bonds issued in 2016 for a nominal amount of €652.6 million.

On November 13, 2019, Veolia Environnement redeemed at par the 2016-2021 OCEANE bonds still outstanding (approximately 7%) for an amount of €47.4 million.

A loss of €7 million on the redemption of the OCEANE bonds was recognized in exceptional items.

1.2.7 Early partial redemption of a US dollar bond line

On December 23, 2019 Veolia Environnement partially redeemed its US$-denominated bonds for a nominal amount of US$100 million (€90.2 million) under the USD EMTN bond line paying a coupon of 6.75% and maturing in 2038 (initial nominal amount of US$400 million).

A loss of €38.9 million on the redemption of the bonds was recognized in exceptional items.

1.3 Treasury shares

Due to the increase in the share price, Veolia Environnement wrote-back the financial impairment in the amount of €60.1 million in 2019, based on an average share price of €23.35 in December 2019, compared with €18.24 in December 2018.

The gross value of the 12,450,465 treasury shares held as of December 31, 2019 was €390.8 million, impaired in the amount of €103.9 million, and representing a net carrying amount of €286.9 million.

NOTE 2 ACCOUNTING PRINCIPLES AND METHODS

2.1 Basis of preparation

The Company financial statements for the year ended December 31, 2019 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, 2019 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.

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 spot 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 foreign 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.

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.

Foreign 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.

Provision 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 decrease in the injury frequency rate consolidated at Veolia Group level;
- the increase in purchase expenditure, excluding taxes, recorded for the sheltered employment sector for the France group 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	Notes
Intangible assets	**239,720**	**14,042**	**176**	**253,586**	3.1.1
Property, plant and equipment	**48,967**	**574**	**10,179**	**39,362**	3.1.1
Long-term loans and investments					
Equity investments	14,295,055	45,152	582,708	13,757,499	3.1.2
Loans to equity investments	10,726,069	999,251	287,617	11,437,703	3.1.3
Long-term portfolio investments	6,327	305	-	6,632	
Other long-term investment securities	3,483	3,841	171	7,153	
Loans	935,798	491,201	250,785	1,176,214	3.1.4
Other long-term loans and investments	749,531	40	-	749,571	3.1.5
TOTAL	27,004,950	1,554,406	1,131,636	27,427,720	

Movements in depreciation, amortization and impairment

(in € thousand)	Opening balance	Increase Charge	Decrease, removals and write-backs	Closing balance	Notes
Amortization of intangible assets	194,458	17,441	176	211,723	3.1.1
Depreciation of property, plant and equipment	28,942	4,684	10,179	23,447	3.1.1
Impairment of property, plant and equipment	704	236	405	535	3.1.1
Impairment of intangible assets	1,802	190	50	1,942	3.1.1
Impairment of equity investments	2,972,728	55	756,062	2,216,721	3.1.2
Impairment of loans to equity investments	106,350	-	-	106,350	3.1.3
Impairment of treasury shares	146,792	-	42,900	103,892	3.1.5
TOTAL	3,451,776	22,606	809,772	2,664,610	
Nature of charges and write-backs:					
Operating		22,433	455		
Financial		55	798,962		
Exceptional		118	-		
TOTAL		22,606	799,417		

3.1.1 Intangible assets and PP&E

Intangible assets have a gross value of €253.6 million and a net value of €39.9 million.

Property, plant and equipment have a gross value of €39.4 million and a net value of €15.4 million.

3.1.2 Long-term loans and investments: Equity investments

Equity investments have a gross value of €13,757.5 million as of December 31, 2019. Impairments total €2,216.7 million, reducing the net value to €11,540.8 million.

3.1.3 Long-term loans and investments: Loans to equity investments

Loans to equity investments have a gross value of €11,437.7 million as of December 31, 2019.

Movements recorded in 2019 break down as follows:

(in € thousand)	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
VE Finance	9,085,974	730,268	25,726	116,021	9,906,537
Veolia UK	818,035	1,316	115,017	41,044	745,378
Veolia Eau – Compagnie Générale des Eaux	325,670	9,886	57	2,380	337,879
Artelia Ambiente	106,350	-	-	-	106,350
Veolia Water Technologies	178,018	23	73,383	196	104,854
Aquiris	0	81,901	-	-	81,901
Veolia Énergie International	27,898	6,891	-	1,487	36,276
Dalkia NV	28,362	61	62	-	28,361
Taiyuan Shuitta Green Energy Co. Ltd	26,742	99	104	302	27,039
Veolia Recycling (Hangzhou) Co. Ltd	24,981	114	119	291	25,267
Jining Danjia Environment Services Co. Ltd	15,549	71	74	181	15,727
Comma NV	0	7,013	-	-	7,013
Association Vecteur Pyrénées	5,007	204	654	-	4,557
Veolia Middle East	3,774	14	15	77	3,850
Veolia Resource Development Co Ltd	6,221	-	3,232	(328)	2,661
Veolia Environnement Ingénierie Conseil	2,550	-	-	-	2,550
Société de logistique et de préparation pour la biomasse	1,500	-	-	-	1,500
Veolia Water South China Ltd	1	-	-	-	1
Veolia ES Industrial Outsourcing Ltd	1	-	-	-	1
Veolia Africa	1	-	-	-	1
Dalkia Sunshine Harbin Heat Power Co. Ltd	60,106	-	59,846	(260)	0
Veolia Environnement Recherche et Innovation	8,009	-	8,009	-	0
Société des Eaux Régionalisée	1,281	-	1,281	-	0
Veolia Water Japan K.K	39	-	39	-	0
TOTAL	10,726,069	837,861	287,618	161,391	11,437,703

This heading also includes impairment of €106.3 million.

3.1.4 Long-term loans and investments: Loans

Loans total €1,176.2 million as of December 31, 2019.

Loans mainly include term accounts not classified as cash equivalents of €1,176.2 million (including accrued interest).

3.1.5 Other long-term loans and investments

Other long-term loans and investments have a gross value of €749.6 million and a net value of €645.7 million as of December 31, 2019 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 2019 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 €195.9 million. An impairment write-back of €42.9 million was recorded in fiscal year 2019. Impairment of treasury shares totals €103.9 million as of December 31, 2019.

3.2 Trade receivables

Trade receivables have a gross value of €113.5 million and a net value of €102.6 million as of December 31, 2019 and primarily concern services billed to Group subsidiaries.

3.3 Other receivables

Other receivables total €1,856.1 million and mainly comprise the following balances:

(in € thousand)	As of December 31, 2019	As of December 31, 2018
Current accounts with Group subsidiaries	**1,775,407**	**1,531,529**
Other receivables	**50,524**	**147,466**
• Income tax receivables	20,338	115,550
• Other tax receivables	12,935	14,003
• Financial receivables on derivatives	8,427	10,788
• Accrued interest on current accounts	8,824	7,125

3.4 Marketable securities

3.4.1 Treasury shares

Veolia Environnement holds 12,450,465 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 4,061,406 shares recorded in marketable securities have a gross carrying amount of €91 million at the end of 2019. These shares are mainly allocated to cover stock option programs or other share award programs to Group employees, with 10,000 shares allocated to the liquidity contract.

No impairment was recognized in 2019. The unrealized capital gain at the end of 2019 of €3.8 million represents the difference between the purchase cost of the Veolia Environnement shares and the average stock market price during the twenty trading days preceding December 31, 2019. An impairment write-back of €17.2 million was recorded in fiscal year 2019.

Liquidity contract

The liquidity contract initially signed with Rothschild & Cie Banque on September 26, 2014 was renewed by tacit agreement for a 12-month period in September 2018. It was terminated on May 31, 2019.

With effect from June 1, 2019 and for an initial period of 12 months tacitly renewable thereafter for periods of one year, Veolia Environnement awarded implementation of the new liquidity contract to Kepler Cheuvreux. Exceptionally, the first year will commence on June 1, 2019 and terminate on December 31, 2019.

As of December 31, 2019, an amount of €20 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 2019, 1,545,769 shares were purchased for a total amount of €31.7 million and a weighted average share price of €20.49 and 1,535,769 shares were sold for a total amount of €31.7 million and a weighted average share price of €20.63. A capital gain of €0.2 million was generated under this contract.

3.4.2 Other securities

Other securities total €2,968.2 million as of December 31, 2019 and comprise SICAV mutual funds.

3.4.3 Treasury instruments - Assets

Treasury instruments total €151.3 million as of December 31, 2019 and break down as follows:

- interest-rate derivative spreads: €1.2 million;
- foreign currency derivatives: €129.1 million;
- premium/discount: €21 million.

3.5 Cash at bank and in hand

Liquid assets total €491.4 million as of December 31, 2019 and include term accounts classified as cash equivalents and related accrued interest in the amount of €140 million.

3.6 Prepayments

Prepayments total €73.5 million and include balancing cash adjustments paid on interest rate swaps of €59.6 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, 2019 total €56.9 million. The charge for the year was €10.5 million.

Other deferred charges total €1.8 million and mainly comprise credit line issue costs, amortized on a straight-line basis over the repayment term. The charge for the year was €2.1 million.

3.7.2 Bond redemption premiums

Unamortized bond redemption premiums total €111.1 million and mainly comprise the redemption premium recognized on the bond exchange performed in 2015 of €86.5 million as of December 31, 2019.

Bonds redemption premiums are amortized on a straight-line basis over the bond term.

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	Notes
Matching foreign exchange positions	631,242	1,201,617	181,085	1,415,106	3.8.1
Overall foreign exchange position	5,461	-	5,176	-	3.8.2
TOTAL	636,703	1,201,617	186,261	1,415,106	

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	14,940	0	0	0		
Foreign currency derivatives	0	0	3,034	16,128		
Total ARS	14,940	0	3,034	16,128	17,974	16,128
Loans	53,144	0	0	183		
Foreign currency derivatives	2,615	1,740	147,824	186,313		
Total AUD	55,759	1,740	147,824	186,496	203,583	188,236
Loans	10,997	0	20	0		
Foreign currency derivatives	0	3,202	9,357	17,180		
Total BRL	10,997	3,202	9,377	17,180	20,374	20,382
Loans	6,287	0	0	0		
Foreign currency derivatives	151	3,867	3,845	6,389		
Total CLP	6,438	3,867	3,845	6,389	10,283	10,256
Loans	15,698	2,135	9,629	2,183		
Borrowings	0	7	421	5,023		
Foreign currency derivatives	3,697	3,528	14,629	27,901		
Total CNY	19,395	5,670	24,679	35,107	44,074	40,777
Loans	9,028	506	0	0		
Foreign currency derivatives	5,129	0	7,532	17,399		
Total COP	14,157	506	7,532	17,399	21,689	17,905
Loans	7	8,245	18,773	7,353		
Foreign currency derivatives	2,234	953	22,205	28,430		
Total CZK	2,241	9,198	40,978	35,783	43,219	44,981
Loans	84,367	8,553	15,853	4,213		
Borrowings	4,811	8,500	0	0		
Foreign currency derivatives	71,448	69	372,009	531,496		
Total GBP	160,626	17,122	387,862	535,709	548,488	552,831
Loans	11,884	7,958	86	182		
Foreign currency derivatives	3,623	6,441	124,358	133,829		
Total HKD	15,507	14,399	124,444	134,011	139,951	148,410
Loans	9,767	54	0	73		
Foreign currency derivatives	1,284	162	5,230	13,193		
Total HUF	11,051	216	5,230	13,266	16,281	13,482
Loans	8,594	5,174	8,966	2,122		
Foreign currency derivatives	5,432	0	29,349	45,084		
Total JPY	14,026	5,174	38,315	47,206	52,341	52,380
Loans	65	22,954	43	1,695		
Foreign currency derivatives	15,980	0	107,957	97,655		
Total PLN	16,045	22,954	108,000	99,350	124,045	122,304
Loans	10,057	450	0	0		
Foreign currency derivatives	4,851	0	4,394	18,825		
Total SEK	14,908	450	4,394	18,825	19,302	19,275

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	29,694	40,309	13,180	9,745		
Borrowings	221,248	36,831	47,064	32,534		
Foreign currency derivatives	12,890	11,452	182,122	153,844		
Total USD*	263,832	88,592	242,366	196,123	506,198	284,715
Total Other currencies	11,321	7,995	53,736	56,134	65,057	64,129
GRAND TOTAL	631,242	181,085	1,201,617	1,415,106	1,832,859	1,596,191

* *A provision was not booked in respect of US dollar net unrealized foreign exchange losses on matching positions of €201.7 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:

Currencies concerned by the unrealized foreign exchange gains and losses (in € thousand)	Total net unrealized foreign exchange loss	Total net unrealized foreign exchange gain
AED	1	771
AUD	256	5
BHD	0	226
CHF	0	334
CLP	168	394
CNY	2,975	14
DKK	0	601
GBP	1	1,238
HUF	320	0
KRW	0	379
NOK	238	0
NZD	0	236
PLN	206	3
RON	1	239
SEK	270	1
SGD	235	1
USD	97	166
ZAR	237	0
Other currencies	456	568
GRAND TOTAL	5,461	5,176

The provision for foreign exchange losses on the overall foreign exchange position of €6.8 million, is determined based on the overall foreign exchange position for each currency and year of maturity.

NOTE 4 BALANCE SHEET EQUITY AND LIABILITIES

4.1 Share capital and reserves

(in € thousand)	Opening balance	Change of method	Increase	Decrease	Closing balance
Share capital (1) (2)	**2,827,967**	**-**	**8,366**	**-**	**2,836,333**
Additional paid-in capital (1) (2)	2,863,520	-	16,542	1,161	2,878,901
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	-	1,115	-	282,797
Special long-term capital gains reserve	-	-	-	-	-
Frozen reserves	-	-	-	-	-
Other reserves	-	-	-	-	-
Retained earnings	154,594	-	372,895	-	527,489
Prior year net income/(loss)	883,060	-	-	883,060	-
Tax-driven provisions	6,751	-	368	-	7,119
TOTAL BEFORE NET INCOME FOR THE YEAR	11,149,250	-	399,286	884,221	10,664,315
Net income for the year	-	-	1,058,299	-	1,058,299
TOTAL AFTER NET INCOME FOR THE YEAR	11,149,250	-	1,457,585	884,221	11,722,614

(1) Share capital increase of a par value amount of €1.2 million through the issue of 232,280 new shares.
(2) €23.7 million share capital increase through the issue of 1,440,918 new shares with a par value of €7.2 million, plus additional paid-in capital of €16.5 million (see Note 7.8 below).

The share capital comprises 567,266,539 shares with a par value of €5 each, compared with 565,593,341 shares with a par value of €5 each as of December 31, 2018.

The €8.4 million share capital increase was the result of two separate transactions:

- the grant of free shares to employees for €1.2 million;
- subscriptions under the Group employee savings plan for €7.2 million.

The €16.5 million increase in "Additional paid-in capital" is due to the share capital increase under the Group employee savings plan; the €1.2 million decrease is due to the issue of shares for grant to employees free of charge.

Dividends distributed to shareholders totaled €509.1 million and were deducted from net income for fiscal year 2018 of €883.1 million. €1.1 million was taken to the legal reserve and the remaining €372.9 million was taken to retained earnings.

4.2 Provisions for contingencies and losses

Movements in provisions for contingencies and losses

(in € thousand)	Opening balance	Change of method	Charge	Write-backs used	Write-backs not used	Closing balance
Provision for foreign exchange losses	10,380	-	-	3,551	-	6,829
Provision for other contingencies	35,443	-	1,925	6,609	557	30,202
Provision for losses	6,179	-	4,337	1,891	1,518	7,107
TOTAL	52,002	-	6,262	12,051	2,075	44,138
Nature of charges and write-backs:						
Operating			4,400	2,061	1,686	
Financial			-	3,551	-	
Exceptional			1,862	6,439	389	
TOTAL			6,262	12,051	2,075	

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4.3 Bonds issues

(in € thousand)	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Other bond issues	9,805,699	1,642,204	1,504,321	44,061	9,987,643
Accrued interest on other bond issues	130,631	126,757	130,631	-	126,757
TOTAL	9,936,330	1,768,961	1,634,952	44,061	10,114,400

The €1,642.2 million increase breaks down as follows:

- a new €750 million fixed-rate bond issue performed on January 7, 2019 and maturing in January 2024;
- a new €700 million bond issue performed on September 12, 2019 and maturing in January 2025;
- two fixed-rate Panda bond issues of 750 million Chinese renminbi each (€96.1 million each) performed on December 17, 2019 and maturing in December 2020.

The €1,504.3 million decrease breaks down as follows:

- the maturity on April 24, 2019 of the euro bond line paying a coupon of 6.75% in the residual amount of €461.9 million.
- the maturity on August 10, 2019 of the Chinese renminbi bond line of a nominal amount of 1 billion renminbi (€125.5 million);
- the maturity on September 2, 2019 of the Chinese renminbi bond line of a nominal amount of 1 billion renminbi (€126.7 million);
- the early redemption of 2016 OCEANE bonds for €652.6 million on September 13, 2019 and €47.4 million on November 13, 2019;
- the partial redemption on December 23, 2019 of the US$400 million bond line in the amount of US$100 million (€90.2 million).

4.4 Bank and other borrowings

Bank and other borrowings total €8,396.1 million and break down as follows:

(in € thousand)	As of December 31, 2019	As of December 31, 2018
Current accounts with Group subsidiaries	4,370,114	3,488,921
Treasury note outstandings	3,493,422	3,247,730
Bank borrowings (1)	270,669	0
Tax group current accounts	183,429	269,031
Bank accounts in overdraft and short-term bank facilities	78,430	54,176
TOTAL	8,396,064	7,059,858

(1) Bank borrowings include two loans maturing in August 2020 totaling €270.7 million.

4.5 Operating payables

Tax and employee-related liabilities

This heading totals €76.6 million and includes:

- personnel costs – accrued expenses: €34.5 million;
- social welfare organizations: €25.1 million;
- taxes collected on behalf of the French State: €2.5 million;
- value added tax: €11.9 million;
- French State - accrued expenses: €2.6 million.

4.6 Miscellaneous liabilities

Treasury instruments – Liabilities

This heading totals €242.8 million and includes:

- interest-rate derivative spreads: €1.6 million;
- foreign currency derivatives: €194 million;
- premium/discount: €47.2 million.

Deferred income

Deferred income totals €88.8 million and mainly concerns financial instruments:

- balancing payments on derivatives of €64.9 million;
- bond issue premiums of €22.2 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	11,437,703	31,485	11,406,218
Other long-term investment securities	7,153	-	7,153
Loans	1,176,214	601,214	575,000
Other long-term loans and investments	749,571	-	749,571
Current assets			
Payments on account – inventories	3,420	3,420	-
Trade receivables and related accounts	113,539	113,539	-
Group and associates	1,775,407	1,775,407	-
Other receivables	80,679	59,298	21,381
Marketable securities	3,210,603	3,184,103	26,500
Cash at bank and in hand	491,448	491,448	-
Prepayments	73,537	20,090	53,447
TOTAL RECEIVABLES	19,119,274	6,280,004	12,839,270

(in € thousand)	Amount	Falling due in one year	Falling due in one to five years	Falling due after five years
Liabilities				
Bond issues	10,114,400	1,250,374	3,282,993	5,581,033
Bank borrowings	270,669	270,669	-	-
Other borrowings	3,493,422	3,493,422	-	-
Group and associates	4,553,543	4,553,543	-	-
Bank accounts in overdraft and short-term bank facilities	78,430	78,430	-	-
Other adjustments	589,671	489,289	58,825	41,557
TOTAL LIABILITIES	19,100,135	10,135,727	3,341,818	5,622,590

NOTE 6 INCOME STATEMENT

6.1 Net income from ordinary activities

Net income from ordinary activities before tax is €1,272 million.

6.1.1 Operating revenue

(in € thousand)	Year ended December 31, 2019	Year ended December 31, 2018	Notes
Sales of services and other	505,580	524,879	Note 1
Own production capitalized	9,252	15,150	
Operating subsidies	13	23	
Write-back of provisions (and depreciation and amortization) and expense reclassifications	17,902	42,147	Note 2
Other revenue	83,597	88,086	Note 3
TOTAL	616,344	670,285	

Note 1: the decrease in sales of services is tied to amounts billed to Group subsidiaries.

Note 2: write-backs of provisions for contingencies and losses total €3.8 million, write-backs of impairment on trade receivables total €5.1 million and expense reclassifications total €8.6 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)	Year ended December 31, 2019	Year ended December 31, 2018	Notes
Other purchases and external charges	297,645	288,599	Note 1
Duties and taxes other than income tax	17,282	19,018	
Personnel costs (wages, salaries and social security contributions)	208,919	221,712	Note 2
Depreciation, amortization, impairment and charges to provisions	41,413	44,034	Note 3
Other expenses	108,051	124,230	Note 1
TOTAL	673,310	697,593	

Note 1: the headings “Other purchases and external charges” and “Other expenses” are down €7.1 million, mainly due to a €6.1 million decrease in professional fees and a €3.8 million decrease in renewal expenses (see Note 7.2 below).

Note 2: the decrease in personnel costs in 2019 is due to the unwinding of the Management Incentive Plan in 2018.

Note 3: the decrease in this heading is mainly due to the charge to impairment of trade receivables which is €4.8 million lower. This heading includes amortization of deferred charges on loan issue costs (see Note 3.7.1 above).

6.1.3 Financial income and expenses

(in € thousand)	Year ended December 31, 2019	Year ended December 31, 2018	Notes
Expenses on long-term borrowings	**(316,957)**	**(340,163)**	
Income from other securities and long-term receivables	**3,534**	**4,114**	
Foreign exchange gains and losses	**2,427**	**25,964**	
Other financial income and expenses	(36,204)	(3,252)	
Amortization, impairment and charges to provisions for financial items	(21,151)	(42,175)	Note 1
Investment income	880,446	869,113	
Net gain/loss on sales of marketable securities	(3,441)	(6,606)	
Write-back of provisions for financial items, impairment and expense reclassifications	819,740	373,115	Note 2
Other financial income and expenses	**1,639,389**	**1,190,195**	
NET FINANCIAL INCOME	1,328,394	880,110	

Note 1: financial charges in 2019 primarily break down as follows:

- amortization of redemption premiums of €18.3 million in 2019, compared with €18.1 million in 2018;
- a charge to impairment of Artelia current accounts of €2.8 million in 2019, compared with €6.5 million in 2018.

Note 2: provision write-backs and impairment in 2019 primarily break down as follows:

- impairment of equity investments of €756.1 million:
  - including a write-back of Transdev Group impairment of €247.6 million following the divestiture of the residual share,
  - including a write-back of impairment of VE CGE of €500 million, VEEV of €7.5 million and CODEVE of €1 million, compared with a write-back of impairment of €357.4 million in 2018 (including €350 million for VE CGE),
- a write-back of impairment on treasury shares of €60.1 million compared with a charge to impairment on treasury shares of €17.6 million in 2018;
- a write-back of provisions for foreign exchange losses of €3.5 million, compared with a write-back of €1 million in 2018.

6.2 Exceptional items

Exceptional items, representing a net expense of €289.1 million, break down as follows:

(In € million)	Year ended December 31, 2019
Net charge to contingency provisions	4.6
Net exceptional income from non-capital transactions	(4)
Loss on redemption of bond and convertible issues	(45.9)
Other [(1)]	(243.8)
TOTAL	(289.1)

(1) Including primarily the net loss on the sale of Transdev Group shares of €244 million (see Note 1.1 below).

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 2019 is reflected in the Veolia Environnement financial statements by a tax saving in respect of the subsidiaries of €84.9 million.

A tax charge of €13.6 million corresponding to income tax and tax credits not offset against current income tax was also recognized.

6.4 Net income

Veolia Environnement reported net income of €1,058.3 million for 2019.

NOTE 7 OTHER DISCLOSURES

7.1 Off-balance sheet commitments

Commitments given by Veolia Environnement total €2,139.7 million as of December 31, 2019, (including counter-guarantees) and primarily consist of financing and performance guarantees given on behalf of subsidiaries:

(in € thousand)	As of December 31, 2019	As of December 31, 2018	Notes
Commitments given			
Discounted notes not yet matured	-	-	
Endorsements and guarantees [1]	2,071,755	2,073,425	Note 1
Equipment finance lease commitments	-	-	
Real estate finance lease commitments	-	-	
Pension obligations and related benefits	67,919	61,909	Note 2
TOTAL	2,139,674	2,135,334	Note 3
Commitments received			
Endorsements and guarantees	48,826	71,681	

(1) Of which commitments given in respect of related companies: €1.8 million.

Note 1: Main endorsements and guarantees

The €1.7 million decrease in commitments given breaks down as follows:

- the termination of a repayment guarantee for an investment grant for €24 million;
- the increase in future rent payable in the total amount of €6.6 million;
- an increase related to foreign exchange impacts of €24.3 million.

Veolia Environnement is required to grant the following types of endorsement and guarantee:

- **Operational or operating guarantees of €0.7 billion**

  These are commitments not relating to the financing of operations, required in respect of contracts and markets and generally in respect of the operations and activities of Group companies (bid bonds accompanying tender offers, completion or performance bonds given on the signature of contracts or concession arrangements and counter-guarantees granted by Veolia Environnement to insurance companies that issue bonds on behalf of its subsidiaries). This type of guarantee also includes letters of credit delivered by financial institutions to Group creditors, customers and suppliers for their business requirements or to guarantee various commitments such as the payment of leases or reinsurance obligations.

- **Financial guarantees of €1.3 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:

Note 2: Pension obligations and related benefits

- 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 €66.8 million;
- warranties relating to guarantees (joint and several) covering obligations of US and Canadian subsidiaries under letters of credit granted by several banking institutions in the amount of €480 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.

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A breakdown of obligations, net of plan assets, is presented below:

(in € thousand)	
Pension obligations pursuant to Title V of the Collective Agreement	43,717
Collective insurance contract in favor of Group executives (active and retired)	19,549
Insurance company contract in favor of Executive Committee members (retired)	4,653
TOTAL*	67,919

* *Of which obligations for Executive Committee members as of December 31, 2019: €4.2 million.*

Note 3: Other commitments given

In addition to commitments given of €2,139.7 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 Veolia Environnement Board of Directors.

It is recalled that, in connection with the Dalkia redistribution, in 2014 Veolia Environnement granted EDF 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 and terminating 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, 2019, Veolia Environnement held 12,450,465 treasury shares, of which 8,389,059 were allocated to external growth operations and 4,061,406 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, 2019, 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	1,178	1,578
Foreign currency derivatives	129,154	194,042
Premium/discount*	20,970	47,187
Prepayments	59,590	-
Deferred income	-	64,886
TOTAL	210,890	307,693

* *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	35,449	3,099
Derivatives not qualifying for hedge accounting (trading)	-	-
Foreign currency derivatives		
Derivatives used in matching foreign exchange positions	19,260	148,557
Derivatives used in the overall foreign exchange position	87,086	47,335
TOTAL	141,795	198,991

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	559,119	559,119
Floating-rate payer/fixed-rate receiver swaps	EUR	559,800	559,800
TOTAL		1,118,919	1,118,919
Trading swaps			
Fixed-rate receiver/floating-rate payer swaps	EUR	-	-
Fixed-rate payer/floating-rate receiver swaps	EUR	-	-
TOTAL		-	-

The notional amounts of the most material 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:		
CNY	80,592	80,592
CZK	-	177,110
EUR	288,666	60,000
KRW	0	113,054
TOTAL	369,258	430,756
Currency forwards:		
AUD	-	368,240
CAD	65,694	88,021
CNY	91,172	481,129
COP	-	63,377
EUR	4,362,754	181,220
GBP	71,521	1,181,218
HKD	-	683,195
HUF	-	164,620
JPY	1,640	171,329
PLN	470	1,114,993
RON	-	101,793
SEK	-	173,076
SGD	-	50,623
USD	72,524	779,387
Other currencies	12,570	501,043
TOTAL	4,678,525	6,103,263

(in € thousand)	Purchases	Sales
Currency hedging instruments included in the overall foreign exchange position:		
Cross currency swaps:		
EUR	60,000	-
TOTAL	60,000	-
Currency forwards:		
AUD	80,155	126,305
CAD	17,936	124,664
CNY	223,870	222,842
CZK	193,286	151,428
DKK	33,116	43,255
EUR	2,556,327	4,221,741
GBP	1,011,165	308,522
HKD	137,472	468,667
HUF	96,434	62,821
JPY	69,311	55,549
PLN	294,502	244,265
RON	55,607	130,248
SEK	82,666	102,956
SGD	104,879	126,754
USD	2,457,057	944,506
Other currencies	114,529	152,418
TOTAL	7,528,312	7,486,941

7.4 Average workforce

	2019 Salaried employees	2018 Salaried employees
Executives	985	985
Supervisors and technicians	51	41
Administrative employees	46	49
Workers	-	-
TOTAL	1,082	1,075

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	**2,846,165**

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	7,119
Provisions for price increases	-
Provisions for exchange rate fluctuations	-
Other adjustments	
Investment subsidies	-
Income temporarily non-taxable	-
Income deferred for accounting but not tax purposes	-
Expenses deducted for tax purposes but deferred for accounting purposes	86,471
Unrealized foreign exchange losses	1,724,946
Change in value of treasury instruments - Assets	-
TOTAL	1,818,536

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	91,094
Other adjustments	
Taxed income not recognized	64,410
Difference between the NCA/tax value of treasury shares	91,212
Amortization of option premiums	-
Unrealized foreign exchange gains	1,601,367
Change in value of treasury instruments - Liabilities	-
TOTAL	1,848,083
Tax losses carried forward	3,574,088
Long-term capital losses	-

If the Company were taxed separately, the impact of these timing differences on the financial statements would generate a theoretical net tax receivable of €930.8 million (income tax rate hypothesis 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 4, Section 16 above).

7.8 Share-based compensation

2019 Employee savings plan

In 2019, Veolia proposed a new Group employee share ownership transaction, rolled-out across 30 countries.

Under this transaction, shares were subscribed by employees with a 20% discount on the average opening price of the share during the 20 trading days preceding the date the subscription price was set by the Chief Executive Officer. The subscription price was set at €17.44.

Under the so-called "secure" format, employees received a gross contribution from the Group equal to 100% of the employee's investment up to a maximum of €300. This personal investment and the net contribution from the Group are guaranteed in the event of a fall in the share price and receive a guaranteed minimum return.

On November 15, 2019, Veolia Environnement issued 1,440,918 new shares under the Group Savings Plan, representing a share capital increase of €25.1 million.

In 2019, an expense of €7.1 million was recognized in respect of the savings plan and rebilled in part to Group subsidiaries.

2019 Performance Share Grant Plan

In 2019, the Group granted 1,131,277 performance shares (PS) to executives and employees of the Group, subject to the beneficiary's presence in the Group on April 30, 2022 and a performance condition based on the following criteria:

- an economic criterion (average increase in current net income attributable to owners of the Company per share);
- a stock market criterion (relative performance of the total shareholder return (TSR) of the Veolia Environnement share compared with the CAC 40 index);
- CSR criteria (growth in circular economy revenue and performance of the Group compared with companies in the Utilities sector of the FTSE4GOOD non-financial index).

Taking account of these characteristics and market conditions at the plan implementation date, the fair value of the instruments was estimated at €17.14.

A charge to the provision for the performance share grant plan was recorded in operating income in the amount of €0.6 million in 2019.

Plans implemented before 2019

Veolia implemented the following plans in previous years:

- **2018 Employee Savings Plans** in 2018, Veolia Environnement proposed a new Group employee share ownership transaction, rolled-out across 29 countries. This plan expired on December 31, 2018 and therefore had no impact on the Group financial statements in 2019;
- **2018 Performance Share Grant Plans**: the Group set-up a performance share grant plan (PSP) subject to the beneficiary's presence in the Group at the vesting date on May 2, 2021 and a performance condition. A charge to the provision for the performance share grant plan was recorded in operating income in the amount of €2.7 million in 2019;
- **Free Share Grant Plan**: in 2018, the Group granted approximately 250,000 free shares to employees in France, subject to the beneficiary's presence in the Group on expiry of the plan on May 2, 2019. Beneficiaries are required to hold the shares for a period of two years from the vesting date, that is until May 2, 2021. This plan has expired as of December 31, 2019. A net reversal of the provision for the free share grant plan was recorded in operating income in the amount of €0.1 million in 2019.

7.9 Related party transactions

Relations with other related parties break down as follows:

Relations with Icade SA, a subsidiary of Caisse des dépôts et consignations (5.88% shareholding as of December 31, 2019)

On January 31, 2013, Icade SA and Veolia Environnement entered into a firm lease for off-plan property (BEFA) for the building housing Veolia's administrative headquarters in Aubervilliers. This nine-year lease entered into effect on July 18, 2016, for an annual rent of €16,590,104, excluding taxes and VAT.

Veolia Environnement recorded a rental expense payable to the lessor of €17,265,470 in respect of fiscal year 2019.

Caisse des dépôts et consignations (CDC) and its subsidiary, Icade SA, are considered related parties in the context of this lease agreement. CDC is a director on the Board of Directors of Veolia Environnement, as a legal entity, and of Icade SA. In addition, Mr. Olivier Mareuse, CDC's representative on the Veolia Environnement Board of Directors, also sits on the Icade SA Board of Directors as a private individual.

Termination of relations with SM Conseil

Following the death of Mr. Serge Michel on March 15, 2019, the service agreement of March 20, 2017 between Veolia Environnement and SM Conseil SAS terminated early on March 1, 2019.

This service agreement was entered into for a three-year period beginning March 20, 2017. 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.

The co-party "SM Conseil" was chaired by Mr. Serge Michel, a non-voting director (*censeur*) on the Veolia Environnement Board of Directors.

This agreement provided for payment to "SM Conseil" SAS of fixed remuneration of €400,000 per year, adjusted in line with the SYNTEC index. It did not provide for the payment of success fees.

Remuneration of €68,672 was paid by Veolia Environnement to SM Conseil under this agreement and in respect of early termination for fiscal year 2019, corresponding to services rendered in January and February 2019.

7.10 SUBSEQUENT EVENTS

Bond issue

On January 8, 2020, Veolia Environnement successfully issued a €500 million 11-year bond with a yield of 0.664%. The bond was issued at par and will mature in January 2031. The proceeds of this issuance will be used for general corporate purposes, and in particular in anticipation of bond repayments at the end of 2020. The high subscription rate, the quality of the investor base, their diversification and the good conditions which were achieved are signals that Veolia's signature is viewed very favorably and of its financial strength.

7.11 SUBSIDIARIES AND EQUITY INVESTMENTS [1]

Investments acquired in 2019, within the meaning of Article L. 233-7 of the French Commercial Code (crossing of investment thresholds laid down by law) concern:

- acquisition of a 5.36% stake in Institut de l'Économie Positive (IEP).

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	814,234	100.00%	8,300,000	6,166,473
Veolia Propreté (1)	8,967,700	143,483	1,225,659	100.00%	1,930,071	1,930,071
Veolia Énergie International (1)	87,996,020	1,760,127	478,927	99.99%	1,137,265	1,137,265
VE Finance (1)	100,003,700	1,000,037	33,531	100.00%	1,000,037	1,000,037
Veolia North America Inc (2)	198	1	861,019	13.43%	693,526	693,526
Veolia Environnement Énergie et Valorisation (1)	13,703,700	137,037	8,382	100.00%	137,037	137,037
Veolia Holding America Latina SA	16,283	97,698	48,088	100.00%	311,397	311,397
Veolia Environnement Services-RE	10,099,999	101,000	38,128	100.00%	101,000	101,000
Codeve	18,000,000	18,000	24,460	100.00%	53,000	43,550
Campus Veolia Environnement	10,000	100	(8,162)	100.00%	64,751	0
Veolia Industries Global Solutions	1,033,334	15,500	(1,351)	100.00%	16,113	16,113
SA LT 65	60,000	1,120	(1,324)	1.13%	300	0
VIGIE 3 AS	41,829	251	14,080	100.00%	266	266
Artelia Ambiente S.A.	10,000	50	(134,118)	100.00%	50	0
VIGIE 1 AS (1)	21,100	211	(730)	100.00%	238	238
VIGIE 2	3,814	38	(7,471)	99.84%	38	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 is head holding company of the US consolidated tax group.
(3) The main activity of this company is head holding company of the UK consolidated tax group.
(4) Number of votes.
NC Not communicated.
N/A Not applicable.

(1) Reporting currency – in thousands.

Loans and Advances granted by the Company (gross)**	2018 revenue	2019 revenue (provisional figures)	2018 net income	2019 net income (provisional figures)	Dividends recorded in the last fiscal year	Year-end
3,572	2,489,036	2,130,974	169,438	136,501	165,724	Year ended December 31, 2019
(218,305)	471,957	451,937	107,588	100,990	105,012	Year ended December 31, 2019
(808,305)	143,131	95,390	104,320	72,099	-	Year ended December 31, 2019
9,093,677	479,234	564,545	15,121	30,488	60,002	Year ended December 31, 2019
(809,425)	(27,765)	(16,712)	142,233	113,877	-	Year ended December 31, 2019
(8,643)	41,211	16	40,296	(402)	41,111	Year ended December 31, 2019
134,335	18,285	8,667	2,490	(4,191)	-	Year ended December 31, 2019
-	44,282	72,582	9,420	4,709	-	Year ended December 31, 2019
-	20,355	28,941	869	941	-	Year ended December 31, 2019
1,070	23,729	24,105	(3,255)	(2,758)	-	Year ended December 31, 2019
(391)	175,196	218,556	7,206	(2,136)	7,000	Year ended December 31, 2019
0	1,747	1,540	(430)	(190)	-	Year ended June 30, 2019
7,465	-	-	6,006	3,141	5,070	Year ended December 31, 2019
106,350	0	0	(2,037)	(2,949)	-	Year ended December 31, 2019
10,113	0	0	(2,646)	(2,605)	-	Year ended December 31, 2019
7,433	-	-	(56)	(29)	-	Year ended December 31, 2019

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 is head holding company of the US consolidated tax group.
(3) The main activity of this company is head holding company of the UK consolidated tax group.
(4) Number of votes.
NC Not communicated.
N/A Not applicable.

Company	Number of shares held	Share capital	Shareholders' equity other than share capital*	% share capital held	Carrying amount of shares held GROSS	NET
SIG 41	2,000	20	(2)	100.00%	53	23
VIGIE 28 AS	3,700	37	21	100.00%	37	37
Veolia Innove	3,700	37	409	100.00%	903	210
Veolia Environnement Ingénierie Conseil	14,657	147	(284)	100.00%	7,520	171
VIGIE 33	2,000	20	(3)	100.00%	37	37
VIGIE 34	3,694	37	(21)	99.84%	37	37
VIGIE 37 AS	3,700	37	(49)	100.00%	37	37
VIGIE 41 AS	3,700	37	(20)	100.00%	37	37
VIGIE 43 AS (1)	3,700	37	(1,931)	100.00%	37	37
Veolia Eau d'Île - de - France	100	100	17,608	1.00%	1	1
Sloveo AS	1	33	1,439	1.00%	0	0
SNCM Judicial liquidation	1,581,185	32,477	(701,917)	73.03%	0	0
VIGIE 48 AS	3,700	37	(7)	100.00%	37	37
VIGIE 50 AS	3,700	37	(7)	100.00%	37	37
VIGIE 51 AS	3,700	37	(7)	100.00%	37	37
VIGIE 52 AS	3,700	37	(7)	100.00%	37	37
Veolia Water Information Systems (VW IS)	260,173	9,625	1,238	13.52%	1,717	1,437
Vestalia	519	37	184	14.03%	89	34
GIE Veolia Placements (4)	1	N/A	2,645	50.00%	0	0
Institut de l'Economie Positive	8,305	1,550	400	5.36%	150	150
Other subsidiaries and equity investments (less than 1% of share capital)						
Veolia UK (3)	866,733	909,760	38,252	0.11%	1,387	1,387
Vigeo	5,750	14,362	(6,563)	0.20%	219	23
Fovarosi Csatornazasi Muvek Reszvenytar	1	215,374	96,604	0.00%	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 is head holding company of the US consolidated tax group.
(3) The main activity of this company is 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)**	2018 revenue	2019 revenue (provisional figures)	2018 net income	2019 net income (provisional figures)	Dividends recorded in the last fiscal year	Year-end
(9)	-	-	(3)	(2)	-	Year ended December 31, 2019
(24)	-	-	3	2	-	Year ended December 31, 2019
405	5,313	5,302	274	152	-	Year ended December 31, 2019
2,753	2,640	38	20	(307)	-	Year ended December 31, 2019
(18)	-	-	(2)	(2)	-	Year ended December 31, 2019
(18)	-	-	(3)	(2)	-	Year ended December 31, 2019
-	(43)	0	(22)	(3)	-	Year ended December 31, 2019
-	-	-	(3)	(2)	-	Year ended December 31, 2019
-	598	1,484	(247)	(167)	-	Year ended December 31, 2019
-	417,609	424,666	15,166	17,608	-	Year ended December 31, 2019
-	9,890	10,562	372	515	4	Year ended December 31, 2019
-	NC	NC	NC	NC	-	Year ended December 31, 2019
-	-	-	(2)	(2)	-	Year ended December 31, 2019
-	-	-	(3)	(2)	-	Year ended December 31, 2019
-	-	-	(3)	(2)	-	Year ended December 31, 2019
-	-	-	(3)	(2)	-	Year ended December 31, 2019
-	88,892	93,035	170	237	-	Year ended December 31, 2019
-	17,094	14,487	1,122	178	157	Year ended December 31, 2019
0	1,877	4,184	990	2,645	-	Year ended December 31, 2019
-	0	573	(22)	(199)	-	Year ended December 31, 2019
745,486	87,532	94,232	651	(1,802)	-	Year ended December 31, 2019
-	10,972	13,023	(3,909)	(4,719)	-	Year ended December 31, 2019
0	122,341	116,351	11,905	15,820	-	Year ended December 31, 2019

** 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 is head holding company of the US consolidated tax group.
(3) The main activity of this company is head holding company of the UK consolidated tax group.
(4) Number of votes.
NC Not communicated.
N/A Not applicable.

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.

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, 2019.

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 of December 31, 2019 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 work 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.

ndependence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically 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 inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed 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 of December 31, 2019, equity investments and loans to equity investments are recorded in the balance sheet at a net carrying amount of €22,872 million and represent 70% of total assets. At their date of entry into Company assets, they are recorded at 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, the net assets of the Company held and the stock market value of the securities acquired, 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 changes in assumptions, 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 flows of prior periods,
  - assessing the multiples used and, in particular, the reference panel and transactions adopted to determine these multiples.

Besides 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.

Specific verifications

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 addressed to 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 information given in the Board of Directors' management report and in the other documents provided to shareholders with respect to the financial position and the financial statements.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-4 of the French Commercial Code (Code de commerce).

Report on corporate governance

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 (Code de commerce).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (Code de commerce) relating to remunerations and benefits paid or awarded to 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 controlled by it and included in the scope of consolidation. 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 (Code de commerce) 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 disclosures

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and 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 December 23, 1999 for Ernst & Young et Autres.

As of December 31, 2019, KPMG SA was in the twenty-fifth year of total uninterrupted engagement and Ernst & Young et Autres the twenty-first year, including twenty years since securities of the Company were admitted to trading on a regulated market, respectively.

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.

The financial statements have been approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objectives are 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 in Article L. 823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality with which the Company's management has conducted or will conduct the affairs of the entity.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the annual 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 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. These conclusions are 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, 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, to modify the opinion expressed therein;

- evaluates the overall presentation of the financial statements and assesses whether these 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 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 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 provided for 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 the related safeguards.

The Statutory Auditors

Paris-La Défense, March 16, 2020

KPMG Audit A Division of KPMG S.A.		**ERNST & YOUNG et Autres**	
Valérie Besson	Baudouin Griton	Jean-Yves Jégourel	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

	2019	2018	2017	2016	2015
Share capital at the end of the fiscal year					
Share capital *(in € thousand)*	2,836,333	2,827,967	2,816,824	2,816,824	2,816,824
Number of shares issued	567,266,539	565,593,341	563,364,823	563,364,823	563,364,823
Transactions and results for the fiscal year *(in € thousand)*					
Operating income	616,344	670,285	617,915	599,793	566,257
Income before taxes, depreciation, amortization and impairment	212,057	489,543	256,086	295,026	112,816
Income tax expense	75,327	73,693	94,566	103,370	107,319
Income after taxes, depreciation, amortization and impairment	1,058,299	883,060	314,498	513,840	343,600
Distributed income	554,816 (1)	509,050	462,640	439,728	401,184
Earnings per share *(in euros)*					
Income after taxes, but before depreciation, amortization and impairment	0.51	1.00	0.62	0.71	0.39
Income after taxes, depreciation, amortization and impairment	1.87	1.56	0.56	0.91	0.61
Dividend per share	1.00	0.92	0.84	0.80	0.73
Personnel					
Number of employees	1,082	1,075	1,074	1,019	1,046
Total payroll *(in € thousand)*	137,281	139,234	132,793	132,621	125,542
Total benefits (social security, benevolent works, etc.) *(in € thousand)*	71,638	82,478	58,385	63,283	66,045

(1) The total dividend distribution presented in the above table is calculated based on 567,266,539 shares outstanding as of December 31, 2019, less 12,450,465 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.

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 €622,655 (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, 2019.

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 settlement 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, 2019 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	376					739
Total invoice amount concerned (incl. VAT) *(in € thousand)*	8,105	10,835	10,740	861	472	22,908
As a percentage of total purchases of the fiscal year (incl. VAT)	2.31%	3.08%	3.06%	0.25%	0.13%	6.52%
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	213					
Total invoice amount excluded (incl. VAT) *(in € thousand)*	4,084					
(C) Reference settlement periods applied (contractual or statutory period – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Settlement 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 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)
325					527
27,797	(14,939)	1,760	9,442	24,648	20,912
4.83%	(2.60)%	0.31%	1.64%	4.28%	3.63%
16					
10,833					
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 (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 Universal 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.

In each category, the risk factors are presented in descending order of importance as determined by the Company at the date of this Universal Registration Document. Veolia may change its assessment of this order of importance at any time, notably as a result of new external events or events specific to the Company.

Category	Risk factors	Section
Risks relating to the business environment in which the Group operates	Risks relating to market changes; competition risks; economic risks; seasonality risks; political risks; risks relating to natural disasters; risks relating to the business climate; risks relating to climate change	5.2.2.1
Operational risks	Risk of skills availability; risks related to tangible and intangible property, and information systems; risks relating to employee health and safety; risks relating to the selection and integration of acquisitions; third-party liability risks and particularly health and environmental risks; risks relating to changes in business lines; personal security risks	5.2.2.2
Financial risks	Risks inherent to fluctuations in the price of energy and commodities; counterparty risks related to operating activities; risks relating to tax developments; foreign exchange risk; liquidity risks	5.2.2.3
Regulatory, ethical and legal risks	Risks relating to regulatory changes, particularly in the areas of health or the environment; corruption and business integrity risks; human rights risks; risks relating to long-term contracts	5.2.2.4

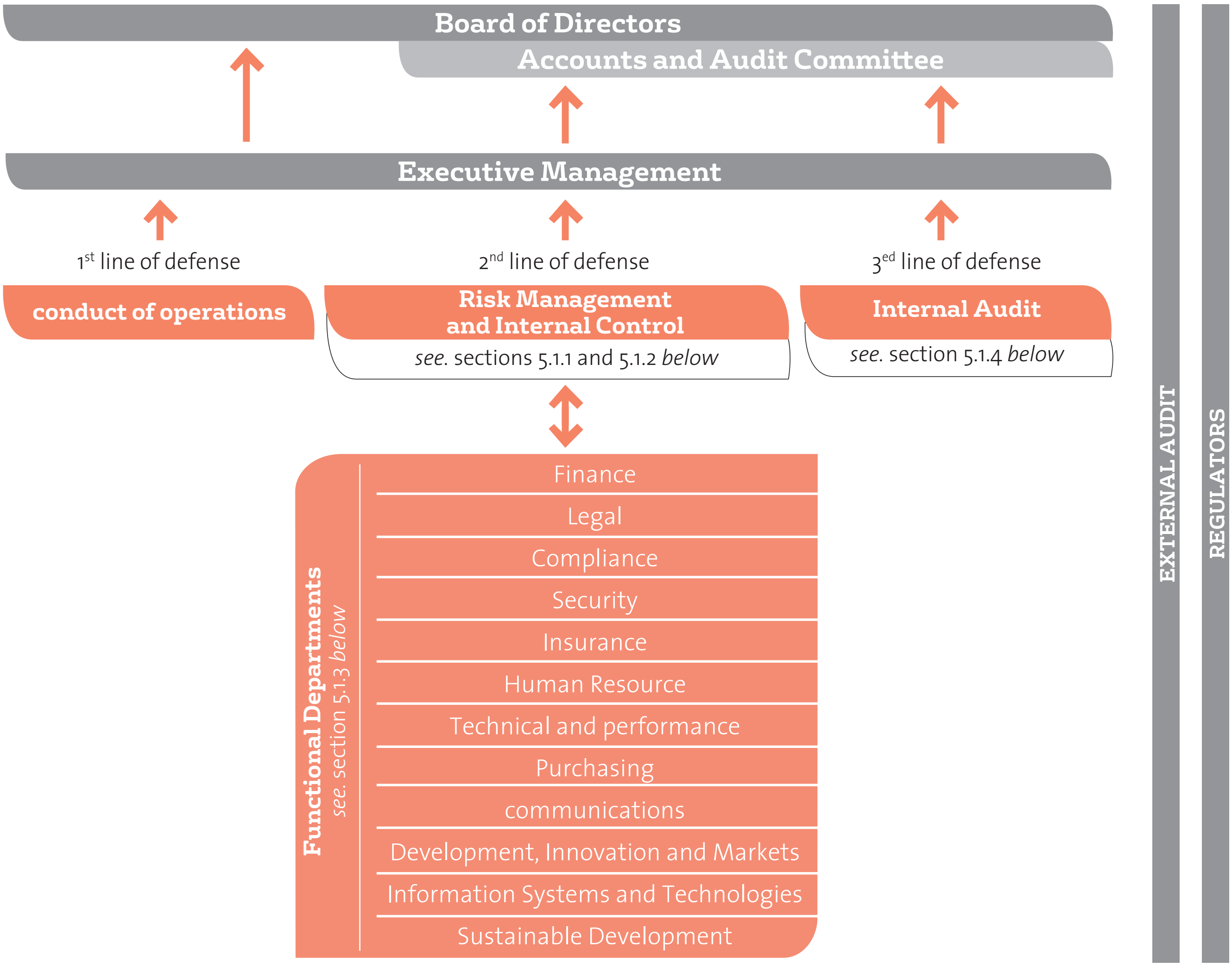
These risks are managed within the Group in accordance with the three lines of defense model (see Section 5.1 below), through a coordinated risk management (see Section 5.1.1 below) and internal control (see Section 5.1.2 below) process and internal audit (see Section 5.1.4 below). Special attention is also given to compliance with ethical rules, which are constantly strengthened within the Group and the roll-out of compliance programs (see Chapter 6, Section 6.5 below).

In 2019, the Group identified five priority actions defined in line with its strategy:

- preparation of the 2023 strategic plan;
- commercial performance efficiency;
- updating and strengthening compliance programs in view of regulatory changes (see Chapter 6, Section 6.5 below);
- monitoring and management of commodity and energy prices;
- specific actions to strengthen information systems.

5.1 Risk management, internal control and internal audit

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. • **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 **operational managers**, this first line of defense is responsible for assessing, preventing and controlling risks, notably by implementing an appropriate control system covering processes under their responsibility. The 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: risk management and internal control	Coordinated by the risk management and internal control system (see Sections 5.1.1. and 5.1.2 below) and the functional departments *(see Section 5.1.3 below)*, responsible for their areas of expertise. 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

The Group has established an integrated risk management policy aimed at providing a comprehensive overview of the risk portfolio, using the same tools and methodologies across all Business Units and functional departments. Veolia also builds long-lasting relationships with its customers based, in particular, on its ability to manage risks delegated by them. The Group responds to this challenge, which is of fundamental importance to its development, by setting up a coordinated risk prevention and management system.

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, understand and monitor the environments in which the Group operates and anticipate changes in the nature or intensity of those risks;
- **organize:** ensure that the main identified risks are effectively addressed 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, Insurance and Internal Control Coordination 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 rank 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 in accordance with this methodology.

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 zone 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.

Since 2012, the Risk Department conducts and develops specific analyses by country and geographic region, through its "country risk and opportunities" program (see Section 5.2.2.1 below). This program assesses, in particular, political risks, the risk of institutional instability and corruption risks and supports the Commitment Committee in its assessment of external factors potentially impacting Group and zone growth projects.

In 2018, the Chief Risk Officer also presented, more specifically, the results of the mapping of Group corruption risks to the Executive Committee (meeting as the Risk Committee), the Management Committee and the Board of Directors' Accounts and Audit Committee (see Chapter 6, Section 6.5.3 below).

In 2019, the Risk, Insurance and Internal Control Coordination Director presented the general risk management system and the updated Group risk mapping to the Accounts and Audit Committee for review.

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 by geographic zone and/or country 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 Coordination of Internal Control 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 Compliance Department, to strengthen the Group's compliance programs (see Chapter 6, Section 6.5 below);
- the Finance Department and particularly 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 5.1.1 below).

In 2019, 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;
- supporting Group business development through country risk and project risk analyses;
- deploying the corruption risk mapping in the Business Units, using a common methodology developed at Group level;
- 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 5.2.2.4 and Chapter 6, Section 6.5.4 below) and risks relating to corruption and influence peddling, as well as analyzing risks relating to the main stakeholders (supplier and partners) (see Section 6.5.3.3.2 below);
- analyzing the Impact 2023 strategic program presented to the Board of Directors' strategy seminar in December (see Chapter 1, Section 1.2.3 above).

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, whatever their nature. 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 system at Group level. It reviews and validates progress with the internal control systems and, in particular, monitors the main changes in the Group's Norms.

The Coordination of Internal Control 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 domain 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 fourteen 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 2019, the Coordination of Internal Control Department primarily focused on assisting the Compliance Department update and strengthen the Group Norms based on the results of the mapping of Group corruption risks. It also improved and developed these tools and promoted 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 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 Unit 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. The following criteria are used for this analysis: 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.

Management of the whistle-blowing system and fraud reporting was transferred to the Compliance Department in 2019.

In 2019, the Internal Control Department notably:

- updated procedures for financial cycles and certain transaction cycles, to take account of changes and the strengthened Group compliance program;
- raised awareness of corruption risks and supported the internal control network and finance functions;
- continued to an anomalies query projects in accounting applications (big data technology), to improve detection and control of fraud and corruption risks and dysfunctions;
- organized the monitoring of action plans aimed at improving the level of internal control by the Business Units, using a dedicated tool within its network to monitor the actions plans implemented following the self-assessment questionnaires;
- launched the creation of centers of excellence enabling the identification and sharing of internal control best practice;
- continued 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. These internal control reviews are part of Group procedures for integrating newly acquired entities distributed in February 2019. Their ultimate goal 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.

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 customers • control transactions • protect the Group's employees and assets
Compliance Department	• strengthen, roll-out and monitor compliance programs within the Group • control adherence to compliance principles and procedures and deal with non-compliance
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 (1)	• 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

(1) Renamed the Business Support and Performance Department under the Impact 2023 program.

5.1.4 INTERNAL AUDIT

The Internal Audit Department comprises 24 individuals, and performs assignments throughout the entire Group, according to a charter and an annual program. It is certified by the French Audit and Internal Control Institute (IFACI) since 2006. This certification is based on international professional standards.

The objectives of the Internal Audit Department are:

- to assess the Company's risk management procedures, governance and internal control processes; and
- to help improve these procedures using 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 Accounts and Audit Committee;
- the guidance and oversight of the annual process of formal, in-depth self-assessment of internal control.

It uses dedicated tools to prepare assignments upstream and to organize the assignments themselves, as well as to monitor recommendations after the audit.

The Audit Director:

- reports to the Chairman and Chief Executive Officer of Veolia Environnement;
- attends meetings of the Audit and Accounts Committee and periodically presents an activity report summarizing audit missions performed, the follow-up of recommendations as well as the annual audit program;
- presents, once annually, the internal control self-assessment to the Accounts and Audit Committee. Action plans based on these results are presented by the Internal Control Department.

In 2019, 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 Transformation 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 Units, entities and zones, prior to each accounts closing. It identifies all of the information necessary for preparing the published financial documentation. It also sets out the 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 through attendance at 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 Finance managers Code of conduct was drawn-up by the Chief Financial Officer in November 2011. Under this Code, financial managers report to both functional and line 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. The Code was updated in 2018 to strengthen the detection and prevention of corruption risk and and signed again by all financial managers. Each year, the Internal Control Department confirms the signatories of this Conduct of Conduct are updated.

5.1.6 INSURANCE

5.1.6.1 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.

5.1.6.2 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.

5.1.6.3 Main insurance policies covering all Business Units and Group subsidiaries

5.1.6.3.1 Third-party liability

The general third-party liability and environmental damage program was renegotiated effective January 1, 2018 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.

5.1.6.3.2 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 customers. The Group insurance program provides either "business interruption" coverage or "additional operating cost" coverage depending on each subsidiary's ability to use internal or external solutions to ensure service continuity. These policies contain standard insurance market terms. The Group's property insurance policy was renewed on January 1, 2020 for a period of one year. 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, 2019, the Group also renewed its Construction-Comprehensive Assembly and Test insurance policy covering all worksite operations throughout the world, for all subsidiaries, for a period or three years.

5.1.6.3.3 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 €20 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).

5.1.7 DISCLOSURE COMMITTEE

The Disclosure Committee was set-up in 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 Universal 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 Universal Registration Document.

The Disclosure Committee met once at the end of 2019 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 2019. The Proofreading Committee met in March 2020.

5.2 Risk factors

5.2.1 SUMMARY AND METHODOLOGY

5.2.1.1 Main risk factors and management measures

The main risks that Veolia faces are subject to an annual mapping process involving all of the Group's subsidiaries and functions. In April 2019, Veolia updated this risk map, which is transcribed and summarized in the risk matrix below: the risks are classified here according to their potential impact and probability of occurrence, and ranked within each unit.

This risk matrix reflects the Group's exposure to risks, integrating the control actions in place to reduce their impact and probability. Furthermore, in its internal rules and procedures, the Group is uncompromising with regard to the application of internal rules and standards in terms of safety at work, ethics and compliance. These rules and standards are qualified as «non-negotiable». The related risk factors are indicated in bold below. The Group is strengthening its control system, as part of a preventive approach, to minimize the probability of this type of risk occurring.

Finally, the risk factors rated «CSR» have a dual materiality (definition in section 5.2.1.2 Methodology below).

As defined at the head of this chapter, in each category, the risks factors are presented in descending order of importance as determined by the Company at the date of this Universal Registration Document. Veolia may change its assessment of this order of importance at any time, notably as a result of new external events or events specific to the Company.

Group risk matrix

IMPACT	Probability of occurrence: Low	Moderate	High
High	• **Corruption and business integrity risks (CSR)** • **Human rights risks (CSR)** • Risks related to tangible and intangible property, and information systems	• Risks relating to market changes • Competition risks • **Risks relating to employee health and safety (CSR)**	
Moderate	• Political risks • Risks of skills availability (CSR) • Personal security risks	• Risks relating to the selection and integration of acquisitions • Risks inherent to fluctuations in the price of energy and commodities • Seasonality risks • Third-party liability risks and particularly health and environmental risks (CSR) • Risks relating to changes in business lines	• Economic risks • Risks relating to regulatory changes, particularly in the area of health or the environment • Counterparty risks relating to operating activities
Low	• Foreign exchange risk	• Risks relating to the business climate • Risks relating to natural disasters (CSR) • Risks relating to tax developments • Liquidity risks	• Risks relating to long-term contracts • Risks relating to climate change (CSR)

PROBABILITY OF OCCURRENCE

5.2.1.2 Methodology

Risk mapping process

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 and the monitoring of action plans. In 2019, members of the Board of Directors participated in the identification and assessment of risks in order to complete and enrich the risk mapping with their external vision.

The zones and Business Units each 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 in terms of net impact and probability of occurrence, and taking into account means of control. The risk owners are in charge of designing and implementing action plans in liaison with the risk managers for their geographic zone and/or country and/or Group, so as to limit and manage residual risk exposure. The network of risk managers contributes to the definition of action plans and managing the entire system, in particular in reporting and identifying emerging risks.

The Group Executive Committee meets each year to examine the Group's risk mapping and the related action plans. Risk Committees by geographic zone and/or country meet to monitor and approve the risk mappings for their scope of activities and the implementation of the related action plans.

Double materiality

The double materiality of risks defines, on the one hand, «risks which are specific to the issuer [...] and which are material for taking an informed investment decision» (Article 16 of Regulation (EU) 2017/1129, known as *Prospectus 3* of June 14, 2017), and, on the other hand, the main risks related to the activity of the Company or of all companies, including the risks created by its business relationships, products or services (Article R. 225-105 of the French Commercial Code) identified in the summary information for the non-Financial Performance Statement (see Chapter 6, Section 6.7 below).

Veolia's business model is built around this double materiality, the Group's performance linking the financial and economic dimension to the issues of social, corporate and environmental responsibility (mentioned in Chapter 6 below) as an inseparable whole.

Thus, the risk factors mentioned in this Chapter 5 may have a double impact:

- in their significant negative impact on the business, *i.e.* on the Group's financial situation and results, its image, its prospects or on the Company's share price;
- in the Group's impacts on its ecosystem and stakeholders.

5.2.2 DESCRIPTION OF RISK FACTORS

5.2.2.1 Risks relating to the business environment in which the Group operates

Risks relating to market changes

Risk identification

Description of the risk	Potential effects for the Group
In a context of changing traditional markets, the Group may face contract losses and difficulties in renewing existing contracts, with a potential loss of profitability. Declines in volume demand could reduce the size of the traditional market with increased competition and lower prices. Thus, in certain mature regions (in Europe for example), we are witnessing a change in household consumption behavior and habits, encouraging greater sobriety. In this context, the Group may not be in a position to defend its current market share, particularly in the municipal sector, to gain new market share, or may even see its margin decrease.	• Decrease in the existing market share • Pressure on the selling price of services • Difficulty in gaining new market share • Loss of municipal contracts • Renewal of municipal contracts **Correlated risks** • Competition risks • Risks of skills availability • Risks relating to the selection and integration of acquisitions

Risk management

The Group has to carefully select its projects in traditional markets, offer innovative business models and steer its activities towards the industrial markets and the most dynamic regions.

The Group is continuing to transform its cost structure in order to increase its competitiveness compared to 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 customers.

The Innovation, Development and Markets Department has a development plan to accelerate the Group's growth strategy. Veolia is therefore strengthening the transformation of its salesforce and has implemented a strategic program, Impact 2023, organized around priority markets identified by the Group and high added value service offerings (see Chapter 1, Section 1.2.3 above).

Competition risks

Risk identification

Description of the risk	Potential effects for the Group
The main competition risks are embodied by large international companies, «niche» companies and companies whose overheads or profitability requirements are lower than those of Veolia (*see Chapter 1, Section 1*.3.4.2 above). In addition, the desire of certain public authorities to resume the direct management of water or waste services (particularly under management contracts) may lead to the non-renewal of certain contracts. The use or development of new, more competitive information technologies by the Group's competitors could reduce or eliminate the Group's competitive advantage.	• Decrease in the existing market share • Pressure on the selling price of services • Difficulty in gaining new market share **Correlated risks** • Risks relating to market changes • Risks relating to the selection and integration of acquisitions

Risk management

The Group deploys a development strategy based on anticipating and listening to its customers, concentrating on the best development opportunities in each region, innovation and the professionalization of its sales sector.

Veolia works with its customers to help them grow. Its goal is to provide cutting-edge tailored solutions, through offerings based on attractive business models (remuneration based on the performance of its solutions, innovative financing, etc.).

Veolia's sales and marketing approach is also founded on the creation of industrial 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 the zones and operational teams.

To support its 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 customer issues and seek to enhance offerings based on the specific expertise and added value of the Group's operational teams.

Economic risks

Risk identification

Description of the risk	Potential effects for the Group
In the face of the disruptions impacting the global economy at the beginning of 2020, the short- and medium-term economic and financial outlook is uncertain. As certain Group businesses (especially waste) are sensitive to this type of economic shock, the consequences for the Group's results could be significant.	• Decrease in investments by customers • Pressure on the selling price of services • Drop in sales volumes • Non-payment or late payment by customers • Economic balance of contracts compromised
	Correlated risks
	• Counterparty risks relating to operating activities • Foreign exchange risk • Risks inherent to fluctuations in the price of energy and commodities • Liquidity risks

Risk management

The Group's resilience to a global economic slowdown is managed through debt control actions, active management of efficiency efforts, management of investments and Group performance.

The Group operates in a diversified portfolio of activities, business models and regions, which supports its resilience to potential economic shocks. In order to anticipate such economic conditions, initiatives were taken in the context of favorable market conditions. In 2019, Veolia Environnement proceeded, on the one hand, with the early redemption of bonds [(1)] for a nominal amount of approximately €700 million and, on the other hand, with the issuance of bonds [(1)] by way of a private placement without preferential subscription rights for a nominal amount of approximately €700 million (see Chapter 2.1.7 above). Optimizing and securing financing therefore strengthens the Group's financial solidity in the medium and long term. In addition, an economic slowdown could generate opportunities for lower-cost acquisitions with increased value creation potential.

In addition, the Group is continuing its efficiency actions with a strong commitment to savings in the Impact 2023 strategic program (€1 billion over 4 years). Synergies and efficiency levers are anticipated in investment projects. Finally, Capex management and the monitoring of financial performance are ensured through monthly activity reviews between the Business Units and head office.

(1) convertible into and/or exchangeable for new and/or existing shares.

Seasonality risks

Risk identification

Description of the risk	Potential effects for the Group
Climate change affects the frequency, severity and impact of climatic conditions on the Group's activities, in particular: • conditions of access to resources (exceptionally low or high rainfall, drought, etc.); • changes in domestic water consumption; • change in volumes related to Energy activities during mild winters. The Energy and Water activities are particularly exposed to seasonality risks: • for the first, most of the results are achieved in the first and fourth quarters of the year corresponding to the heating periods in Europe; • for the second, domestic water consumption is higher between May and September in the northern hemisphere. Climatic conditions that are significantly different from seasonal norms may impact these two activities and consequently the Group's results.	• Increase in the cost of access to the resource (water) • Operating performance of facilities • Drop in sales volumes • Change in consumption volumes (Water and Energy activities) **Correlated risks** • Risks relating to natural disasters • Risks relating to market changes

Risk management

The Group limits its exposure to seasonality risk through the diversity of its locations and the implementation of contractual models that include a sharing of value created for the customer.

Aware that natural resources are becoming scarcer while needs are increasing in regions that are increasingly confronted with climate change and its effects on seasonality, the Group maintains a diversified portfolio of activities in the countries in which it operates in order to compensate for the negative impacts on its facilities. By relying on its three complementary activities, Veolia is moving from a logic of volume to one of resource use and development, by offering solutions for access, preservation and renewal of the resource. The Group offers contractual models that are independent of volumes, such as performance contracts that include a sharing of value created for the customer, regardless of volume-related consumption. In addition, the Group provides cutting-edge solutions to the most complex issues encountered by customers and offerings founded on attractive business models such as performance-based payment terms, to mitigate the risks relating to seasonal factors.

Political risks

Risk identification

Description of the risk	Potential effects for the Group
Veolia generates a significant portion of 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. Given the Group's activities and the duration of its contracts, the results may be partially dependent on external operating conditions and their evolution. This may include the geopolitical, economic, social and financial situation, but also the level of development and labor and environmental conditions. 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. The Group may find it is unable to defend its rights before a court of law in certain countries should it come into conflict with their governments or other local public entities. With regard to Brexit, the United Kingdom left the European Union on January 31, 2020 and entered a "status quo" transition period until the end of December 2020. During this period, the United Kingdom will continue to follow European Union rules and regulations (continuation of the single market, the customs union and the free movement of people). The British prime minister reaffirmed that a new agreement must be agreed and ratified by the end of 2020, excluding any extension of the transition period. At this stage, the main short and medium-term risks identified concern the impact on: exchange rate volatility, logistics periods at recyclable material recovery facilities, future recruitment (particularly low-skilled workers) under a new points-based immigration system, production cost factors (notably regarding chemical products sourced in the European Union), and the management of import and export taxes. With regard to imports, the United Kingdom/Ireland Business Unit only imports a small percentage of the products necessary to the conduct of its activities from the European Union. While Veolia exports certain high quality recycled materials (such as recycled paper) this export business should not be significantly disrupted. Furthermore, there is a market for this activity in the United Kingdom if necessary.	• Challenge of contractual commitments • Economic balance of contracts compromised • Time needed to obtain operating permits or authorizations • Difficulty in gaining new market share • Decrease in the existing market share • Renewal of municipal contracts • Decrease in sales volume **Correlated risks** • Risks relating to the business climate • Risks relating to tax developments • Corruption and business integrity risks

Risk management

The Group's business model is based on a diversification of its geographic footprint and contractual models and is supported by a «country risk and opportunities» program, enabling it to proactively manage its exposure to political risks.

The Group benefits from a diversification of its geographic portfolio. Present in all major geographic regions, none of them represents more than 15% of the Group's revenue. Potential operations in new countries are subject to prior in-depth country risk analyzes (certain countries considered too risky are also excluded). Business models are also adopted based on political risk exposure. In recent years, the Group's development has accelerated in the industrial and tertiary markets, which are less exposed to the risks of political and regulatory instability. In its municipal activities, the Group works with local partners to reduce the risks associated with political instability. In addition, the Group limits the use of its equity in countries with significant risks. The Group may also be required to take out «political risk» insurance coverage depending on the risk profile of the project.

Finally, for activities in sensitive countries, project review files include a detailed analysis of political and regulatory risks, accompanied by a control plan adapted according to certain criteria (embargo, country risk appetite, long-term political risk, etc.). Political risk assessments (*via* the Country Risk and Opportunities Program) are systematic and notes are drafted by the Risk Management Department for projects in new (or high-growth) countries and in certain sensitive countries, in order to inform the Group or Area Commitment Committee in its decision-making process. The deployment of international risk managers allows political risk and its local management to be taken on board in the different regions. The distribution of the various analyzes produced and the provision of information on the Group's Intranet contribute to raising awareness and the appropriation of these political risks by all employees.

Veolia set-up a Brexit steering Committee in 2016 to assess the related risks and opportunities for British and Irish activities, in particular under a "No Deal" scenario. The role of this Committee is to:

- monitor relations and negotiations between the UK government and the European Union;
- 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.

For further details on the financial risks associated with Brexit, please refer to chapter 4, note 8 to the consolidated finantial statements above.

Risks relating to natural disasters

Risk identification

Description of the risk	Potential effects for the Group
Due to the geographic spread of its operations and sites, the Group could easily be exposed to natural disasters such as floods, earthquakes, extreme droughts, landslides, cyclones or tsunamis. This risk is exacerbated by climate change, which has a direct impact on the frequency and severity of these events. Very large-scale or recurring natural disasters can also lead to exceptional disruption in external infrastructures and roads and 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. The Group may, for example, be required to compensate for the unavailability of resources initially planned to provide the solutions (due to business disruption), with resources that cost more than forecast.	• Operating performance of facilities • Business continuity at facilities • Continuity of services • Cost of insurance coverage relating to changes in the insurance and reinsurance market. **Correlated risks** • Risks related to tangible and intangible property, and information systems • Third-party liability risks and particularly health and environmental risks

Risk management

Through the Group's climate policy, actions taken (see Chapter 6, Section 6.2.3.2 below) and the geographic spread of its operations, Veolia limits the impacts of the risk of natural disaster on its results.

The implementation of services essential to the activities of public authorities and industrial companies requires constant vigilance and anticipation: the management of risks delegated by customers, particularly with regards to natural disasters, is at the heart of Veolia's expertise.

Over and above regulatory requirements, Veolia proposes active management solutions for risks relating to natural disasters through:

- the implementation of prevention and control measures for its facilities;
- the identification and assessment of the exposure of sites exposed to natural disasters;
- the introduction of solutions to assist customers 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.

Risks relating to the business climate

Risk identification

Description of the risk	Potential effects for the Group
The Group may be exposed to risks related to the country's business conditions for companies, sometimes aggravated by the absence of legal enforcement measures or restrictions on the repatriation of funds. Other factors that may impact the Group's operating conditions in certain countries are: the lack or limited development of the legal and social structures required to conduct business, administrative delays, a lack of visibility over future regulatory or tax measures, adverse measures or restrictions imposed by governments.	• Time needed to obtain operating permits or authorizations • Challenge of contractual commitments • Renewal of municipal contracts • Competitive pressure in certain sectors **Correlated risks** • Risks relating to long-term contracts • Competition risks • Corruption and business integrity risks • Risks related to tax developments

Risk management

The diversity of the Group's locations, the multiplicity of its business models, the proactive management of contractual risks as well as the Risk Management Department's «country risk and opportunities» program enable the Group to reduce its exposure to risks related to the business climate.

Legal monitoring enables the Group to maintain a good knowledge of its regulatory and legislative environment. When Veolia is not responsible for investments related to regulatory compliance, Veolia advises its customers. The Group also implements proactive actions beyond regulatory requirements, based on strict prevention and control procedures, particularly for regulatory risks related to the environment and health risks.

Business climate risk assessments are an integral part of the "country risk and opportunities" program analyses. Notes are systematically drafted by the Risk Management Department for projects in new (or high-growth) countries and in certain sensitive countries, in order to inform the Group or Zone Commitment Committee in its decision-making process. The deployment of international risk managers allows an even finer grasp of the risk linked to the business climate and its local management in the different regions. The distribution of the various analyses produced and the provision of information on the Group's Intranet contribute to raising awareness and the appropriation of these business climate risks.

Risks relating to climate change

Risk identification

Description of the risk	Potential effects for the Group
The information presented in this section concerns the financial risks relating to the effects of climate change as referred to in Article L. 225-100-1 of the French Commercial Code. Climate change generates physical risks to which Veolia and its customers must adapt. The necessary transition to a low-carbon economy, while generating significant business opportunities for the Group, may also include risks related to this transition. These risks may have a negative impact on the Company due to the consequences that natural disasters may have on its sites or facilities, the impact of weather conditions on its activities, particularly in the Water and Energy businesses, or changes in regulations, particularly on energy production and CO_2 quota markets. In addition, 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 1.6.2 above). The implementation of Phase 3 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). In this context, the risk for Veolia is twofold. Firstly, the Group may produce higher levels of emissions than anticipated, either for technical or business reasons, which would require it to incur additional expenses, and secondly, the Group may not be able to fully pass on the additional cost of purchasing allowances in its pricing formulae.	• Operating performance of facilities • Change in consumption volumes (Water and Energy activities) • Business continuity at facilities • Group's image **Correlated risks** • Risks relating to natural disasters • Seasonality risks • Risks relating to regulatory changes, particularly in the area of health or the environment

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.

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 gas 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, with regard to greenhouse gas emissions with a short lifespan and a high global warming potential, the Group plans to equip waste storage centres to capture methane, particularly in Latin America. Lastly, Veolia makes every effort to negotiate pricing schemes with its customers that enable it to recover its entire production costs, including the purchase at market price of greenhouse gas emission allowances.

5.2.2.2 Operational risks

Risks of skills availability

Risk identification

Description of the risk	Potential effects for the Group
The Group conducts a range of businesses, requiring a variety of constantly changing skills. To accompany this evolution and the deployment of service offerings in new markets, the Group must acquire new expertise and encourage employee mobility. Also, the shortage of skilled labor in certain countries may have an impact on the Group's operating conditions. Accordingly, the need to constantly seek out and be attractive to new profiles, but also to continuously train existing staff, exposes the Group to risk if it is unable to harness in a timely manner the skills required at its locations.	• Difficulty in gaining new market share • Competitive pressure from certain sectors • Operating performance of facilities • Continuity of services **Correlated risks** • Risks relating to the selection and integration of acquisitions

Risk management

The role of the Human Resources Development Department is to define and promote the Group's policies relating to mobility, career management, and talent identification and management at all of the Group's establishments.

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.

In a context of rapid changes in work techniques and organizations, Veolia ensures that there is a balance between the skills and expertise available and those needed in new business lines. This is in line with the Provisional Management of Jobs and Careers policy, in particular for the industrial market.

An agreement was thus signed in the form of a letter of commitment with the European Works Council in 2018, on changes in the businesses and skills, notably with regard to the Company's strategic direction. Through this 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.

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 6.4.4 below).

The Group's considerable efforts in the area of talent management (identification, dedicated training programs, roll-out of the manager's Code of conduct, manager commitment survey), and commitments to diversity and internationalization serve to strengthen the loyalty and professionalism of Group talents (see Chapter 6, Section 6.4.4 below).

With regard to the Covid-19 health crisi, the Group is taking all mesures to ensure the continuity of its drinking water, sanitation, waste managment and energy services.

Risks related to tangible and intangible property, and information systems

Risk identification

Description of the risk	Potential effects for the Group
The protection of the Group's tangible and intangible property and information systems is subject to extremely strict constraints and particularly regulatory constraints, which could expose a Group company to liability. Due to the nature of its activities and its geographic deployment, the Group's tangible and intangible property, securities and information systems may be the target of malicious or terrorist acts, which may have a decisive impact on the continuity of its activities, for several stakeholders. The drinking water sector is an activity of vital importance due to the related public health considerations. The Group's businesses (Water, Waste and Energy) may be subject to malicious acts on the Group's industrial facilities. 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 customers. 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 tangible and intangible property and information systems.	• Operating performance of facilities • Business continuity at facilities • Continuity of services • Data leakage, loss, theft • Group's image **Correlated risks** • Third-party liability risks and particularly health and environmental risks

Risk management

Due to the nature of its businesses and the scope and diversity of its sites, the Group pays close attention to the security of its tangible and intangible property and information systems.

The primary roles of the Security Department are to avert security threats potentially affecting the Group and its employees and to manage violations possibly impacting employees, tangible and intangible property, including information systems, and securities of the Group in France and abroad. 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. It provides advice and assistance to country managers on security-related issues within the framework of current laws and regulations. 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.

A warning system that operates 24 hours a day and is deployed across all the Group's locations, escalates 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. It then moves into crisis management mode and, if the situation is critical enough, operational cells can be quickly mobilized bringing together all the necessary functional skills and the divisions concerned. Predetermined objective criteria are used to assess the seriousness of the situation. This process is constantly refined on the basis of feedback and post-crisis evaluations of each of the situations that have been managed.

An information systems security organization (ISS, cybersecurity) was set up in 2013 and updated in 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 a month, chaired by the Group's General Counsel and brings together the Chief Financial Officer, the Chief Risk, Insurance and Coordination of internal control 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) 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.

Risks relating to employee health and safety

Risk identification

Description of the risk	Potential effects for the Group
Constant vigilance, particularly with regards to health and safety, is essential, given the range of business sectors, geographic zones and working environments in which Veolia operates. 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 customer sites), as well as difficult working conditions. Despite the Group's specific focus on this issue (see Chapter 6, Section 6.4.3 below), an increase in injury frequency and severity rates and a surge in occupational diseases remains a risk.	• Operating performance of facilities • Difficulty in gaining new market share • Group's image **Correlated risks** • *No correlated risks*

Risk management

The Group's most valuable resource and consequently its primary asset is the employees working at Veolia. Sustainably protecting the health and safety of employees, and all service providers, sub-contractors or third-parties present on its sites while protecting customers and communities served by the Group is an absolute priority.

Given the nature of its operations and aware that solid performance in workplace health and safety is synonymous with increased performance for the Company, Veolia has made prevention, health and safety a daily priority in all its activities.

The occupational risk prevention approach is based on the involvement of the entire managerial line and the diligence of suppliers in applying the measures taken by the Group to their employees, as well as on a system of continuous improvement that makes it possible to meet the commitments made and achieve the objectives set.

Veolia's health and safety management system is based on five strategic pillars (described in Chapter 6, Section 6.4.3.1 below). The prevention, health and safety center of excellence brings together 25 experts who, based on performance indicators, develop and coordinate policies to improve synergy between businesses and disseminate the good practices identified, to all Group entities (see Chapter 6, Section 6.4.3.1 below). The Group's commitment is also reflected in the signature of international agreements and joint commitment letters between management and employee representatives.

With a view to setting up a solid, continuous prevention system, the Group relies on numerous awareness-raising and training tools for staff, and robust accident prevention analyzes (see Chapter 6, Section 6.4.3.1 below). The structural themes include systematic accident analysis, reinforcement of prevention in occupational health and improved communication with employees on health and safety topics.

Risks relating to the selection and integration of acquisitions

Risk identification

Description of the risk	Potential effects for the Group
The Group's development is based on organic growth and external growth through acquisitions. The risk assessment procedure for projects, including acquisitions, makes it possible to anticipate the negative effects of integration. The operational and financial performance of acquired companies could deviate from forecasts, as this risk is present from the initial stage of company selection. These acquisitions could give rise to certain risks related to the difficulty of bringing the new companies into line with the Group's matrix and practices, particularly in terms of integrating staff and the adequacy of information systems, which could lead to difficulties in achieving the expected savings.	• Difficulty in gaining new market share • Competitive pressure from certain sectors • Operating performance of facilities **Correlated risks** • Risks of skills availability • Risks related to tangible and intangible property, and information systems

Risk management

The Group is implementing an integrated acquisition strategy and is strengthening its system for selecting and integrating acquisitions (procedures, training, etc.).

The merger and acquisition process is strategic for the Group. Acquisition projects result from an individual analysis for each Business Unit of the opportunity to grow externally in light of the growth challenges of its business, its potential market, its competitive environment and an examination of potential targets.

Acquisition projects are subject to the review and approval of Country, Zone and Group Commitment Committees according to financial thresholds, particularly investment thresholds. These projects are subject to systematic, comprehensive review (strategic, technical, operational, financial, legal, human resources, ethical, etc.) in which all risks are analyzed and assessed. Development procedures have been strengthened to detail acquisition procedures, both upstream and downstream.

In addition, a procedure for integrating acquisitions and post-acquisition follow-up has been established and published on the Group's Intranet. Post-acquisition audits are carried out in order to enable better monitoring of projects approved by the Commitment Committees and to encourage the sharing of experience within the Group. For projects that do not meet the objectives of the initial business plan, action plans are drawn up and new investments are deferred in the Business Unit concerned.

Finally, best practices on the identification and integration of targets have been established on the basis of feedback, within the framework of the Business Development Centre of Excellence (2018). The sharing of these practices within the community of development directors contributes to the appropriation of acquisition-related issues by operational teams in the upstream and downstream phases of acquisitions.

Third-party liability risks and particularly health and environmental risks

Risk identification

Description of the risk	Potential effects for the Group
Failure by the customer to meet its compliance obligations could be prejudicial to the Group as operator and damage its reputation. This compliance concerns regulatory and contractual obligations, in particular on water emissions, drinking water quality, waste processing, soil and ground water contamination, the quality of smoke emissions 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 customers to ensure they undertake the necessary compliance work themselves. Furthermore, regulatory bodies have the power to launch 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. 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 or outlook. 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. In addition, under environmental services contracts, the Company'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 customers (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 customer sites. The regulatory regime governing Seveso facilities applies only within the European Union, but the Group operates several similar sites outside of this region that are often subject to the same level of stringent regulation.	• Group's image • Loss of municipal contracts • Difficulty in gaining new market share • Renewal of municipal contracts **Correlated risks** • Competition risks

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) and the protection of soils and biodiversity. In order to better manage its environmental risks, the Group has implemented an environmental management system (see Chapter 6, Section 6.2.1.2 below) which seeks to achieve continuous improvements in the environmental performance of all its Business Units.

It is the Group's general policy to contractually limit its liability, implement the necessary prevention and protection measures, and take out insurance policies that cover its main accident and operational risks (see Section 5.1.6 above).

Moreover, in accordance with current standards and taking account of the recommendations of internal and external experts, Veolia implements control, maintenance and improvement measures with customers when they assume responsibility for investments relating to the facilities. When Veolia designs new facilities, it strives to meet technical specifications that are sometimes more stringent than current prevailing standards. For older facilities, Veolia 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.

Faced with the risk of being held jointly liable with its customers in the event of serious contamination or accidents, the Group strives to satisfy its own obligations while helping to ensure that customers do the same. 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 four 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 through 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 to identify and prevent industrial risks (fire, machine breakdown, environmental damage, etc.);
- the purchase of insurance covering public liability and liability resulting from unavoidable or accidental pollution and material damage policies (see Section 5.1.6 above).

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. When the Group provides services at a «Seveso» facility or its foreign equivalent, it complies with the different health and safety measures implemented at these sites. The application of more stringent regulatory standards for these sites requires Group employees to undergo specialized training, participate in Health and Safety Committee (renamed the Health, Safety and Working Conditions Committee from January 1, 2020) meetings at industrial customers' sites and comply with the Major Accident Prevention Policies (MAPP) implemented by its customers. Seveso facilities are also subject to specific internal control measures that seek to prevent accidents and protect employees, the public and the environment. In addition to 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).

Risks relating to changes in business lines

Risk identification

Description of the risk	Potential effects for the Group
The Group's Impact 2023 strategic program identifies fundamental challenges for the world, in relation to which the Group proposes to set up new service offerings: health and new pollutants, new material loops, the food chain, etc. (see Chapter 1, Section 1.2.3.3 above). Due to their strong potential for innovation, these fields are particularly subject to automation, digitization, the use of artificial intelligence, but also to the adaptation of certain skills. In its objective to position itself in an efficient and unique way on these challenges, Veolia is subject to changes in certain labor markets and must therefore adapt the business models of certain Business *Units accordingly*, while keeping a forward-looking watch on the development of service offerings and skills in all these sectors.	• Difficulty in gaining new market share • Competitive pressure from certain sectors • Operating performance of facilities • Group's image **Correlated risks** • Risks of skills availability • Competition risks

Risk management

The Group has set up a strategic program, Impact 2023, in connection with the definition of new expertise and skills requirements for its new development challenges.

In a context of rapid change in business lines and subsequent working methods, Veolia has strengthened its ability to anticipate emerging markets and business lines, particularly in the context of its Impact 2023 strategic program. In addition to this analytical work, the Group is strengthening its network of partnerships with companies in the industrial and tertiary sectors, both with a view to outsourcing certain services and seeking innovative technological solutions to accompany the development of certain business lines (see Chapter 1, Section 1.3.3 above).

Personal security risks

Risk identification

Description of the risk	Potential effects for the Group
The protection of the Group's employees 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 could be the target of malicious or terrorist acts. 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. 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.	• Group's image **Correlated risks** • *No correlated risks*

Risk management

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 2019, almost 3,200 travel authorizations were processed by the Security Department.

In order to train and inform employees on the rules and behavior of prevention and protection to adopt when traveling in high-risk countries, a new e-learning has been implemented. It is mandatory for all travel to these countries. Face-to-face training sessions can also be provided depending on the specific needs of the teams and the duration of the missions in the country of destination.

Security plans are drawn-up for the most sensitive countries where the Group operates, to facilitate the reactivity of the Group and in particular local staff in the event of a crisis. A safety correspondent has also been identified in each of these countries. This individual acts as the Security Department's representative and is the preferred point of contact in his or her scope.

In addition, the Security Department intervenes upstream of projects in the countries most at risk in order to assess the technical and budgetary security measures to be implemented.

5.2.2.3 Financial risks

Risks inherent to fluctuations in the price of energy and commodities

Risk identification

Description of the risk	Potential effects for the Group
Purchases of energy, consumables and raw materials represent a major operating expense in the Group's activities. In particular: • diesel for waste collection activities; • coal and gas for energy service activities; • electricity for water treatment and distribution activities. The Group is therefore exposed to fluctuations in their price. Group contracts generally contain indexing mechanisms. However, these mechanisms do not always enable these 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. The sorting, recycling and trading activities are particularly exposed to changes in the price of secondary commodities (paper, plastic, scrap and non-ferrous metals). A significant and long-term drop in the price of recycled materials, potentially combined with the impact of the economic environment on volumes, could affect the Group's operating results. Group activities also include the production of electricity in Central Europe, Germany, the United Kingdom and France. 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. For further details please ferer to the chapter 4, note 8.3.1.3 to the consolidated finantial statements above.	• Economic balance of contracts compromised • Change in consumption volumes (Water and Energy activities) **Correlated risks** • Economic risks • Risks relating to market changes

Risk management

Most contracts have clauses, including indexation formulas, that allow any changes in the price of energy, consumables and commodities to be passed on.

The Group has a commodity risk management policy, which seeks to establish a progressive hedge over three years (where possible) in order to limit results volatility. Most of the contracts entered into by the Group include clauses aimed at passing on any fluctuations in energy, commodity and secondary raw material prices to the Group's revenue sources, particularly by means of indexation formulae. Furthermore, in certain countries and for certain energy sources, the supply of energy may be the subject of long-term supply contracts.

Counterparty risks relating to operating activities

Risk identification

Description of the risk	Potential effects for the Group
The Group's activities expose it to the risks of failure of its counterparties (customers, main suppliers). Counterparty risk is the risk that an entity is unable to respect its financial commitments (debt repayment, breach of guarantees, offset under a derivative transaction, etc.). Trade receivables mainly correspond to services invoiced by Group subsidiaries. Trade receivables had a gross value of €7,698.0 million and a net value of €6,849.5 as of December 31, 2019, i.e. €848.5 million in impairment losses on customer receivables.	• Non-payment or late payment by customers • Economic balance of contracts compromised • Decrease in investments by customers **Correlated risks** • Risks relating to long-term contracts

Risk management

The Group anticipates the occurrence of counterparty risks related to its operating activities by assessing potential volumes of receivables.

The Group carries out an upstream analysis of the creditworthiness of its customers in order to assess potential volumes of receivables and anticipate the occurrence of risks. Credit risk on operating financial assets is appraised *via* the rating of primarily public customers. The risk on other operating receivables is assessed through the analysis of customer late payments / failures, taking into account their nature (public / private).

In addition, the Group limits its exposure to the risk of default by its counterparties through the diversity ans number of its customers.

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Risks relating to tax developments

Risk identification

Description of the risk	Potential effects for the Group
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 rates 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 and disputes are disclosed in Chapter 4, Note 11.3 to the consolidated financial statements *above*.	• Economic balance of contracts compromised • Pressure on the selling price of services **Correlated risks** • Risks relating to long-term contracts • Risks inherent to fluctuations in the price of energy and commodities

Risk management

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.

The tax authorities have carried out various tax audits in Group companies that are both consolidated and not consolidated for tax purposes. To date, none of these audits 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, 2019, 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.

Foreign exchange risk

Risk identification

Description of the risk	Potential effects for the Group
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 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. Foreign exchange risk is linked to the Group's international business conducted outside the euro area, which generates cash flows in numerous currencies. A 10% appreciation in the currencies used by the Group against the euro would increase net assets by €487 million, while a 10% depreciation in these currencies would reduce net assets by €398 million.	• Group's results and equity **Correlated risks** • *No correlated risks*

Risk management

The Group Financing and Treasury Department manages foreign exchange risk centrally within the limits defined by the Chief Financial Officer.

Residual transaction exchange risk can be hedged using derivatives (forward purchases or sales, swaps). For the risk arising on the accounting translation of net assets (also known as asset exchange risk) the Group favors the implementation of foreign currency financing or derivatives for the most material assets.

For further information, please refer to Chapter 4, Note 8.3.1.2 to the consolidated financial statements above.

Liquidity risks

Risk identification

Description of the risk	Potential effects for the Group
The Company's gross liquidity is defined as all available cash and confirmed bank lines. Net liquidity corresponds to gross liquidity from which current financing requirements are deducted. The Group could be exposed to liquidity risk and not have sufficient financial resources to meet its contractual commitments.	• Difficulty in gaining new market share **Correlated risks** • *No correlated risks*

Risk management

The operational management of liquidity and financing is managed by the Financing and Treasury Department.

This management involves the centralization of major financing and material excess cash balances to optimize liquidity and cash.

Veolia Environnement has a multi-currency syndicated credit facility for a total undrawn amount of €3 billion as of December 31, 2019 and bilateral credit facilities for a total undrawn amount of €1.1 billion as of December 31, 2019. As of December 31, 2019, the bilateral US dollar credit lines drawable in cash amounted to $97.5 million (€86.8 million equivalent), undrawn to date. These credit lines enable the Group to reduce liquidity risk.

For further information, please refer to Chapter 4, Note 8.3.2.2 to the consolidated financial statements above.

5.2.2.4 Regulatory, ethical and legal risks

Risks relating to regulatory changes, particularly in the area of health or the environment

Risk identification

Description of the risk	Potential effects for the Group
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. In particular, these risks concern water discharges, drinking water quality, waste processing, soil and ground water contamination, the quality of smoke emissions and gas emissions. 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.	• Difficulty in gaining new market share • Time needed to obtain operating permits or authorizations • Change in consumption volumes (Water and Energy activities) • Renewal of municipal contracts **Correlated risks** • Third-party liability risks and particularly health and environmental risks • Risks relating to long-term contracts

Risk management

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.

Veolia continues to commit the necessary means to comply with its environmental, health and safety obligations and to manage sanitary risks. If it has no investment responsibility, Veolia advises its customers to ensure they undertake the necessary regulatory compliance work themselves.

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.

Corruption and business integrity risks

Risk identification

Description of the risk	Potential effects for the Group
Actions by employees, corporate officers or external stakeholders which contravene the principles set out by the Group in its compliance programs could expose Group companies to criminal and/or civil penalties as well as harm to its reputation. Preventing corruption and other unethical business practices is a major issue for the Group and all its employees. The Group must be particularly vigilant regarding these risks, particularly due to the nature of its contracts, the investments made and the difficulties unique to certain countries where it operates.	• Group's image • Difficulty in gaining new market share • Loss of municipal contracts • Renewal of municipal contracts • Data leakage, loss, theft **Correlated risks** • Risks relating to the business climate • Risks relating to the selection and integration of acquisitions

Risk management

The Compliance Department is responsible for strengthening the compliance culture within the Group and in its relations with third parties and detecting and, where appropriate, dealing with any non-compliance, so as to protect the Group against ethical and non-compliance risks.

The Group therefore implements compliance programs notably comprising norms, procedures, a whistleblowing system and training, as well as assessment and control measures.

The design office of the Security Department participates in the evaluation of third parties (except suppliers) by carrying out reputation studies. However, after analysis, the Security Department in consultation with the Compliance Department may recommend, if necessary, that a service provider be used for an additional «in situ» study, the results of which will be transmitted to the Security Department.

The Purchasing Department is responsible for the evaluation process for the main suppliers.

The system for managing these corruption and business integrity risks is described in detail in Chapter 6, Section 6.5.3 below.

Human rights risks

Risk identification

Description of the risk	Potential effects for the Group
Due to the geographic scope of its activities, the Group is exposed to non-compliance by stakeholders with the principles set out in the Group's Human Rights policy, notably external stakeholders (subcontractors, suppliers, partners).	• Group's image • Difficulty in gaining new market share • Loss of municipal contracts • Renewal of municipal contracts **Correlated risks** • Risks relating to employee health and safety

Risk management

The Group has been working hard for years to uphold the human rights not only of its employees, subcontractors and suppliers, but also of the communities living in the areas where it operates.

The Veolia Human Rights program, which extends beyond the vigilance plan as defined by the "duty of care law" (see Section 6.6 below) aims, in addition to the strict application of the Group's values, to retain the trust of internal and external stakeholders, reinforce appeal and commercial differentiation and protect the Group's reputation. This program is obviously in line with the Group's Purpose. This dedication to human rights is reflected in its sustainable development commitments (see Section 6.1.1 below) and its fundamental values and principles set out in its Ethics Guide (see Section 6.5.1.1 below).

Risks relating to long-term contracts

Risk identification

Description of the risk	Potential effects for the Group
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. In addition, the Company and/or its subsidiaries may not be free to adapt their compensation to reflect changes in their costs or demand, regardless of whether this compensation consists of a price paid by the customer or a fee levied on end users based on an agreed-upon scale. Contracts with public authorities generate a significant percentage of the Group's revenue. In numerous countries, including France, public authorities may amend or terminate contracts under certain circumstances unilaterally but with compensation paid to the co-contracting party. 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 compensation should the relevant public authority unilaterally terminate or amend a contract.	• Economic balance of contracts compromised **Correlated risks** • *No correlated risks*

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Risk management

Veolia's business model is based on a variety of contractual models, including various contract durations, enabling it to limit the potential negative effects associated with long-term contracts. The Group is particularly diligent in the contractual prevention of these risks.

The Group 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 compliance rules to guide its employees in their activities and in the preparation of legal documents and to ensure that these rules are observed.

In the event of developments that may impact the expected profitability, contractual mechanisms may be applied in order to restore the financial equilibrium initially desired. The implementation of such mechanisms may be triggered more or less automatically by the occurrence of events identified in the contract (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.

6

CORPORATE SOCIAL RESPONSIBILITY

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

The Veolia CSR policy is part of its strategy, its economic model and its sustainability. Convinced that it holds part of the solution to the collective challenges of our times, provided it serves its stakeholders with balance, Veolia defines itself as a sustainable company able to achieve its economic, social and societal missions.

Our CSR policy is therefore enshrined in our business model as demonstrated by the Purpose (see Chapter 1, Section 1.2.3 above) and the related multifaceted performance table (see Chapter 1, Section 1.2.4.6 above).

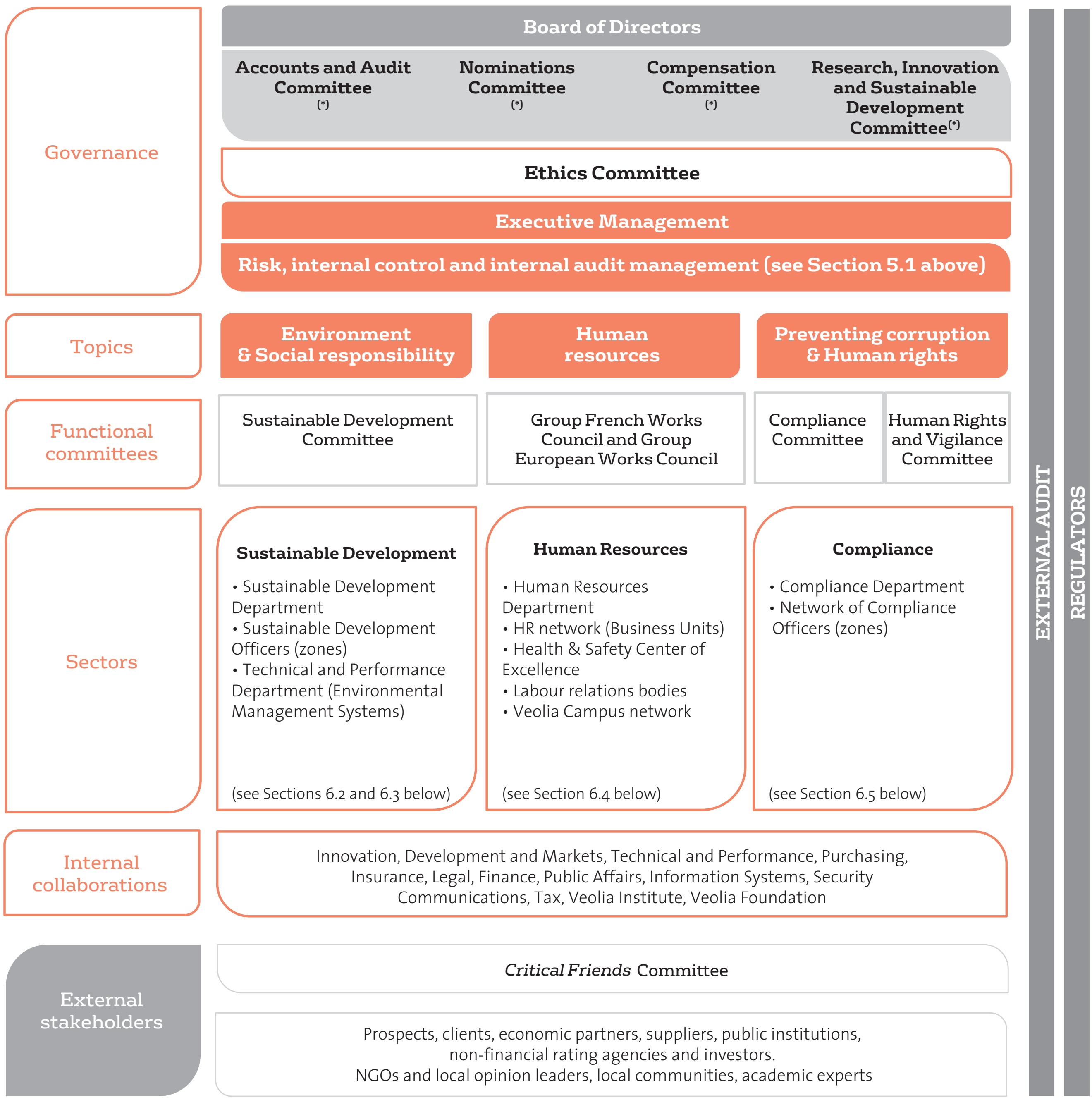
2020 is a transition year and will also see the continuation and completion of the objectives that accompanied its sustainable development strategy, defined in 2015 around nine sustainable development commitments (see Section 6.1 below) – three for the planet (see Section 6.2 below), three for the regions (see Section 6.3 below), three for the Company's men and women (see Section 6.4 below) – and its compliance approach (see Section 6.5 below).

French regulations on the Vigilance plan (see Section 6.6 below) and the Non-Financial Performance Statement (see Section 6.7 below) also offer a framework for these initiatives.

All information linked to the Non-Financial Performance Statement is verified by an independent third party (see Section 6.9 below). For fiscal year 2019, the indicators noted by the symbol √ were checked with a reasonable level of assurance.

The Group's non-financial rating is an independent evaluation of these initiatives by third parties (see Section 6.1.3 below).

CSR Organization and Governance*



* *Board Committees of Veolia Environnement (see Chapter 7, Section 7.2.2 below).*

6.1 Sustainable development commitments

6.1.1 SUSTAINABLE DEVELOPMENT STRATEGY

As part of its mission – "*Resourcing the world*" – in 2015, Veolia reiterated its sustainable development strategy focusing on nine commitments in three areas:

- **resourcing the planet** (see Section 6.2 below), because these water, waste and energy management solutions help improve its customers' environmental footprint;
- **resourcing the regions** (see Section 6.3 below), because its activities are firmly rooted in multiple locations and support their development. They create direct, indirect and induced jobs and wealth;
- **the Company's men and women** (see Section 6.4 below), because its business is labor intensive, and the well-being of its employees affects performance.

These commitments are supplemented by 12 objectives set for the end of 2020, each of which are sponsored by a member of the Executive Committee.

These commitments and objectives are in keeping with Veolia's Purpose, defined in 2019 (see Chapter 1, Section 1.1.2 above). The multi-faceted performance objectives associated with the Purpose (see Chapter 1, Section 1.2.4.6 above), continue on the following objectives to steer the Group's CSR strategy. 2020 will be a transition year, during which the two approaches will both be followed.

Commitments	2020 Objectives	2019 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	• €5.2 billion
2 Contribute to combating climate change	• Achieve 100 million metric tons of CO_2 equivalent of reduced emissions over the 2015-2020 period	• 78.2 million metric tons (√)
	• Achieve 50 million metric tons of CO_2 equivalent of avoided emissions over the 2015-2020 period	• 33.2 million metric tons (√)
	• Capture over 60% of methane from managed landfills	• 60.7% (√)
3 Protect and restore biodiversity	• Carry out a diagnosis and deploy an action plan at 100% of sites with significant biodiversity issues	• 71%
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	• 11/11 activity zones and 6/7 growth segments covered
5 Contribute to local development and appeal	• Maintain the percentage of spending reinvested locally above 80%	• 86,3% (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 gaining access since 2000 (2): • to drinking water: 10,7 million • to sanitation: 4.5 million

(1) Calculated over the main geographic zones representing 74.3% of Group revenue.
(2) In countries with poor access (see Section 6.3.4.3.1 below).

Commitments	2020 Objectives	2019 Results
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	• 8.12 (√)
8 **Encourage each employee's professional development and commitment**	• Deliver training to over 75% of employees annually	• 80% (√)
	• Maintain the manager commitment rate at over 80%	• 92%
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	• 88% (√)

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 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 objectives by the end of 2020, 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.

From 2020, the Board of Directors will also assess the implementation of Veolia's Purpose. The Critical Friends Committee, comprising experts from civil society and representatives of customers, suppliers, employees and younger generations, will provide management with its view on achievement of the Purpose.

6

6.1.2 CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Between 2000 and 2015, Veolia was a major contributor to the United Nations Millennium Development Goals (MDGs) for access to water and wastewater services (see Section 6.3.4.3.1 below). It remains active to ensure the United Nations Sustainable Development Goals (SDGs) adopted in 2015 are attained.

An initial study consulting internal and external stakeholders was conducted in 2017. This aimed to provide an initial overview of the way Veolia's businesses can help attain the SDGs. 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 SDGs targets, representing a contribution to 40% of targets.

Supporting promotion of the SDGs and reinforcing a common understanding

In order to help promote understanding and adoption of the SDGs, the Veolia Foundation supported the creation of a MOOC (Massive Open Online Course) dedicated to the SDGs. Launched in 2018 by the Virtual Environment and Development University (UVED), it presents the 17 SDGs and how they interact with each other. It provides tools to better take the SDGs into account on a daily basis, offers ideas to implement positive actions and promotes initiatives and experiences already in place. Veolia shared its feedback regarding adoption of the SDGs by a company. The MOOC was updated in 2019 and a second session was launched in September. Overall, nearly 25,000 people have familiarized themselves with these global requirements that are essential to developing world peace, protecting the planet, bringing an end to poverty and reducing inequality. The SDG MOOC has been translated into five languages and won the "Best MOOC developed by a university or school" prize at the MOOC of the year awards.

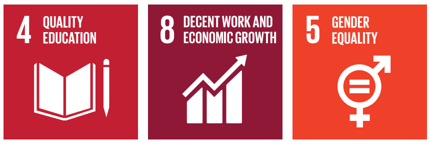
In 2019, Veolia published its Purpose, which fits directly into the SDG framework: *"Veolia's purpose is to contribute to human progress by firmly committing to the Sustainable Development Goals set by the UN to achieve a better and more sustainable future for all. It is with this aim in mind that Veolia sets itself the task of "Resourcing the world" through its environmental services business"*.

The 2017 study was supplemented to better take account of the Group's contribution at several levels. Veolia therefore plays a major role for 12 SDGs whose challenges are directly linked to its Purpose:

9 objectives linked to its activities

As an urban services provider, Veolia plays a major role in managing essential services in water and sanitation (SDG 6), energy (SDG 7) and waste (SDG 11, which includes a waste management target). Veolia promotes innovative industrial production methods (SDG 9) and responsible consumption through the circular economy (SDG 12). Finally, through its solutions, Veolia contributes directly to meeting climate (SDG 13) and ecosystem (SDG 14 and 15) challenges. Finally, by promoting access to essential services, Veolia contributes to reducing inequalities (SDG 10).

3 objectives linked to organization priorities as a responsible company



Veolia acts to develop the skills of its workforce to improve employability, but also to create value for its customers and regions thought its Campus network (SDG 4). The Group is committed to gender equality and acts to increase the number of women in its businesses and strengthen the percentage of women managers (SDG 5). Veolia supports sustainable growth by promoting decent working conditions for all, in compliance with human rights and the rights of its employees, subcontractors and suppliers (SDG 8).

1 key objective to drive attainment of SDGs

Veolia is a local operator and interacts with all its stakeholders, to build together solutions adapted to regional challenges. Its commitment to attaining the SDGs leads Veolia to extend its economic activity chain in order to widen its areas of action and to build new alliances with other players to meet the needs of the public covered by the SDGs. By developing new partnerships and notably by calling on additional expertise contributed by its partners and shared value creation, Veolia contributes to strengthening SDG implementation resources (SDG 17) (Alliance to End Plastic Waste, Toilet Board Coalition, etc.).

6.1.3 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. Veolia Environnement was awarded "Prime" excellence status by ISS-Oekom research and is included in RobecoSAM's 2020 Sustainability Yearbook in the "Silver Class" category.
Veolia Environnement's climate performance received a B rating for CDP Climate change and CDP supply chain. It is also included in the Euronext Low carbon Europe 100 index and is rated B- by CDP Water.
In its role as a supplier, Veolia was awarded the Gold distinction as one of the top 5% of companies appraised by Ecovadis, an agency providing CSR assessment of the supply chain.

6.2 Environmental performance: Impact on the planet

6.2.1 ENVIRONMENTAL POLICY AND ENVIRONMENTAL MANAGEMENT SYSTEM

6.2.1.1 Commitments

As part of its sustainable development commitments (see Section 6.1 above), Veolia has reiterated its environmental commitment to better underscore its inclusion of the challenges facing the planet:

- Commitment 1: Sustainably manage natural resources by encouraging the circular economy (see Section 6.2.2 below);
- Commitment 2: Contribute to combating climate change (see Section 6.2.3 below);
- Commitment 3: Protect and restore biodiversity (see Section 6.2.4 below).

6.2.1.2 The Environmental Management System

The Group has managed its environmental impacts using its Environmental Management System (EMS) since 2002.

Under the current EMS, defined in 2015, an annual review identifies the most significant environmental impacts of each BU, according to its activities. Within this materiality scope, it covers risk management and the contribution of the BU to the Group's environmental objectives. It therefore enables a link to be established between entity operational and environmental performance and major issues such as energy efficiency, the consumption of raw materials, discharges and emissions.

The 2023 objective is to attain an EMS deployment rate of 95% (compared to 90% in 2019).

This common framework is strengthened locally by environmental management systems recognized externally: ISO 14001 and ISO 50001 certification, labels, compliance with contractual commitments, etc.

6.2.1.3 Control 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 businesses to decide on how the Group implements sustainable development. It defines the Company's strategic priorities and approves its environmental policy, objectives and 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's Chief Operating Officer is responsible for ensuring that this system is effective.
Group Internal Audit Department	This department verifies the correct deployment of the Environmental Management System and its application by operating managers.
Risk Department and Risk Committee	The Risk Department coordinates 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 Company's General Counsel and run by the Risk, Insurance and Internal Control Coordination Director. 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).

Certifications

	2014	2015	2016	2017	2018	2019
ISO 14001 certifications *(% of revenue covered)*	67%	67%	68%	67%	68%	68%
ISO 9001 certifications *(% of revenue covered)*	77%	75%	71%	71%	75%*	75%
ISO 50001 certifications *(% of revenue covered)*	7%	20%	28%	32%	32%	32%

* *corrected value.*

6.2.1.4 Environmental Plan

In addition to the 2020 objectives associated with its three commitments for the planet (see Section 6.1.1 above), the Group has broken down its environmental policy into 3-year 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.

As for the strategic plan, the current environmental plan, initially defined for the period 2016-2018, was extended to the end of 2019. If was prepared based on a materiality analysis of the Group's environmental challenges and its strategic and performance plans. The selected indicators and defined objectives therefore take into account Veolia's strategic, operational, commercial and environmental issues.

The new environmental plan for the period 2020-2023 was prepared in line with the 2020-2023 strategic plan, still based on a materiality analysis of environmental challenges, and in conjunction with Veolia's Purpose.

It comprises around thirty objectives, detailed in this Section 6.2.

2020-2023 environmental plan

Sustainably manage resources by encouraging the circular economy

Indicator	2023 objective
Volume of recycled plastic in Veolia transformation plants*	610,000 metric tons
Circular economy revenue	€6.3 billion
Material recovery rate from treated waste	20%
Energy recovery rate from treated waste	30%
Recovery rate for residual bottom ash from waste incineration	90%
Recovery rate for combustion waste in the Energy business (fly ash, bottom ash)	> 70%
Recovery rate for wastewater treatment sludge	≥ 75%
Abatement rate for hazardous waste treated	↑

* *Multifaceted performance indicator (see Chapter 1, Section 1.2.4.6 above)*

Preserve water resources

Indicator	2023 objective
Yield rate of drinking water networks* (1)	> 75%
Volume of wastewater reused from water collected and treated	↑
Deployment rate of water diagnoses at sites with significant water stress issues	95%
Percentage of customers with progressive rates	80%
Number of smart meter solutions	6 million

* *Multifaceted performance indicator (see Chapter 1, Section 1.2.4.6 above)*
(1) For networks serving over 50,000 inhabitants

Contribute to combating climate change

Indicator	2023 objective
Reduction in GHG emissions: progress with the investment plan to eliminate coal in Europe by 2030* [(1)]	30%
Avoided emissions: annual contribution to avoided emissions (new methodology)*	15 million metric tons of CO_2 eq.
Reduction in scope 1 and 2 GHG emissions / 2018 operations reference scope (Science Based Target)	-3%
Methane capture rate (current scope)	55%
Percentage of biomass in energy consumption of energy production plants	24%
Production of renewable and recovered energy	15% /2019
Traceability of biomass (wood) for energy production *(as a %)* [(2)]	98%
Biomass (wood) certification for energy production *(as a %)* [(2)]	80%
Energy performance of cogeneration energy production (heat and electricity)	> 70%
CO_2 emissions relating to waste collection	< 1.4 kg CO_2/km
Energy efficiency of:	
• wastewater treatment [(3)]	< 335 Wh/m^3
• drinking water production (excluding seawater desalination) [(3)]	< 250 Wh/m^3
Rate of implementation of a flood risk adaptation plan for sites with flood issues	To be defined

* *Multi-faceted performance indicators (see Chapter 1, Section 1.2.4.6 above).*
(1) Total investment to eliminate coal in Europe by 2030 have been estimated at €1.2 billion.
(2) Thermal plants selling more than 100 GWh/year.
(3) WWTP with population capacity equivalent greater than 100,000.
(4) WTP exeeding 60,000 m^3/day

Protect natural environments and biodiversity

Indicator	2023 objective
Progress rate of action plan improving the footprint of environments and biodiversity on sensitive sites* (new methodology)	75%
Percentage of sites [(1)] with zero use of phytosanitary products	75%
Implementation rate of of ecological management at sites [(1)] with more than 1 hectare of green spaces	75%
Percentage of sites [(1)] having raised awareness internally or externally of issues concerning the protection of natural environments and biodiversity	50%
Wastewater treatment [(2)]: • BOD5 treatment efficiency • COD treatment efficiency	 ≥ 95% ≥ 90%
Incineration emissions: • NOx • SOx • dust	mg/Nm^3 < 115 < 40 < 10
Energy production emissions [(3)] (per MWh of energy consumed): • NOx • SOx • dust • mercury	 < 270g/MWh < 210g/MWh < 13g/MWh < 5mg/MWh

* *Multifaceted performance indicator (see Chapter 1, Section 1.2.4.6 above).*
(1) Reporting scope: Waste business (all sites); Water business (wastewater treatment plants with a population equivalent capacity of over 100,000 and drinking water plants of over 60,000 m3/day); Energy business (energy production facilities selling over 100 GWh/year).
(2) For wastewater treatment plants with a population equivalent capacity of over 100,000.
(3) For thermal facilities selling over 100 GWh/year.

6.2.1.5 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 amounted to €2,364 million in 2019 (see Chapter 3, Section 3.1.2.1 above) and included investments in growth and compliance measures.

The Group also invested in employee training, certification programs and the implementation of the EMS. A specific Research and Innovation budget was also renewed (see Chapter 1, Section 1.4.1 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 €678.7 million in 2019.

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 and ISO 14069 and their water footprint in accordance with ISO 14046 and assesses their impact on biodiversity. It is available on the Group's intranet and covers Veolia's three business lines: Water, Waste and Energy.

6.2.1.6 Raise 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 6.4.4.3 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 and the Veolia Institute organize several conferences each year (four in 2019), with presentations by leading specialists. A webcast of these events is available on the Group intranet.

With the support of the Veolia Foundation, the Virtual Environment and Sustainable Development University (UVED) has developed online training (MOOC: Massive Open Online Courses) on biodiversity, the causes and challenges of climate change and ecological engineering. Veolia scientific experts have contributed to the educational content (videos) and the Group encourages its employees to enroll in the courses.

6.2.2 SUSTAINABLY MANAGE NATURAL RESOURCES BY ENCOURAGING THE CIRCULAR ECONOMY

6.2.2.1 Risks and opportunities

By operating its own facilities and those of its customers, Veolia consumes water, energy and raw materials, generates waste and residual contamination and occupies space. This environmental impact exposes the Group to third-party liability risks (see Chapter 5, Section 5.2.2.2 above)

However, the very nature of Veolia's business aims to protect resources, as reflected by its motto "Resourcing the world". Veolia builds long-lasting relationships with its customers based, in particular, on its ability to manage risks delegated by them. The Group proposes specific offerings to its customers to protect natural resources: water treatment, processing waste and "complex contamination", waste and wastewater energy and product recovery, protecting water resources, particularly in situations of water stress, and industrial and regional ecology services.

6.2.2.2 Policy and commitments

As part of its sustainable development commitments (see Section 6.1.1 above), Veolia made the following commitment.

Commitment 1	2020 objective	Sponsor
Sustainably manage natural resources by encouraging the circular economy	• Generate more than €3.8 billion in revenue in the circular economy	Mrs. Estelle Brachlianoff, Member of the Executive Committee Chief Operating Officer

This commitment relates to:

- developing the circular economy (see Section 6.2.2.3.1 below).
- limiting resource consumption: water (see Section 6.2.2.3.2 below), raw materials, notably through waste recovery (see Section 6.2.2.3.3 below), and energy (see Section 6.2.3.3.3 below);
- preventing contamination of natural environments: water (see Section 6.2.2.3.5 below), air (see Section 6.2.2.3.6 below), soil (see Section 6.2.2.3.7 below) and reducing local pollution (see Section 6.2.2.3.8 below);

In 2019, Veolia contributed to discussions on the proposed law on food wasting and the circular economy through multi-party organizations and professional federations in the sector, defending waste recycling and recovery activities. At European level, the Group actively participated in debates on the plastic strategy and the Directive on single-use plastic, promoting reuse and recycling.

Veolia is a member of the World Business Council for Sustainable Development (WBCSD) circular economy program, Factor10, which aims to encourage conditions contributing to a more sustainable global economy. The Group contributes to various studies on plastic, regulation and circular measurement indicators. A methodology was developed and made available to companies in 2019.

6.2.2.3 Actions and results

6.2.2.3.1 Encourage the circular economy

Approach

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, refused derived fuels, etc.);
- producing renewable and recovered energy from waste and wastewater and recovering unavoidable energy;
- reusing water;
- pooling multi-customer sites (industrial ecology, biomass heating network).

A 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.

- Since 2016, the Group has continued its contribution to the **Ellen MacArthur Foundation**'s "New plastics economy" initiative, that includes a Global Commitment to eliminate plastic waste pollutions at source, bringing together 250 organizations and countries.
- Veolia is a member of the Alliance to End Plastic Waste along with 40 international companies, that have committed to investing US$1.5 billion over 5 years in plastic waste reduction, collection and recycling, notably in South-East Asia.
- Veolia contributes to European and French debates on single-use plastic, recycling and recovery, mainly through multi-party organizations and professional federations in the waste sector.
- The Group has also entered into partnerships with industrial companies in order to act from the design phase and improve the ability to recycle products and the use of so-called secondary raw materials.
- Under the indicators associated with the Company's Purpose, the objective for 2023 is to recycle 610,000 metric tons of plastic in the Group's transformation plants.

Establish large-scale partnerships to optimize resource management

In 2018, **Tetra Pak** and Veolia entered into an innovative recycling partnership through to 2025 for used food packaging components (75% cardboard, 20% plastic and 5% aluminum) collected in the European Union. In addition to cardboard fibers currently recovered as paper paste, the polymer and aluminum mix will be recovered as raw materials for the plastic industry. The value created by the packaging collection and recycling chain is expected to double, making the sector viable in the long-term.

In 2018, Veolia entered into a three-year partnership with **Unilever**. Solutions to accelerate transition to a circular economy will be deployed in several countries including India and Indonesia: used packaging collection, increasing recycling capacity, developing new processes and technologies, notably for plastics, and creating new economic models.

Veolia is also involved in the **STOP project**, co-created by the company SYSTEMIQ and Borealis. This project aims to implement a genuine waste management ecosystem in Indonesia promoting plastic recycling and organic waste composting, to reduce the quantity of waste in the ocean. It will also have a social and economic impact for local people.

Objective and results

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 €5.2 billion in 2019.

The 2020 objective has been exceeded since 2017. It was set in 2015 based on forecast revenue taken from the Group's growth plan. Circular economy revenue currently reflects the definitions below which may change [(1)].

(in € billions)	2015 (1)	2016 (2)	2017	2018	2019	2020 objective	2023 objective
Circular economy revenue	3.5	3.8	4.4	4.8	5.2	3.8	6.3

(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 recalculated based on actual 2016 revenue in the financial statements.

(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.

6.2.2.3.2 Save water resources

Challenges

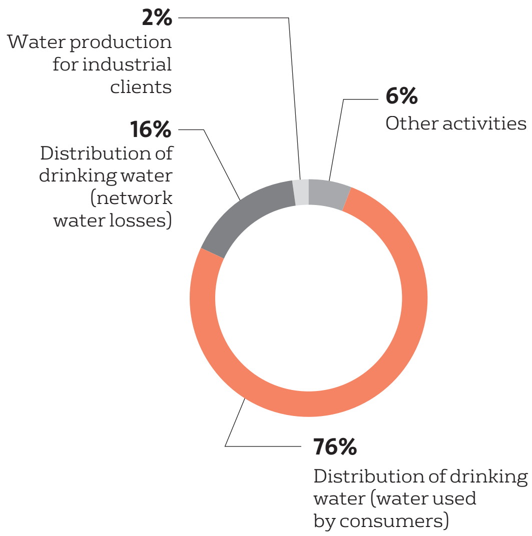
In 2019, Veolia abstracted 9.9 billion m³ of water, mainly for its drinking water distribution and production activity (92% of abstracted volume). Through its contracts with public authorities, Veolia produced 8.4 billion m³ of drinking water in 3,548 production plants. It operated 316,094 km of pipelines, supplying 9.1 billion m³ of water into supply networks.

Changes in water abstraction, drinking water produced and supplied to the networks

	2015	2016	2017	2018	2019
Total volume of water abstracted *(billions of m³)* (1)	9.859	9.813	10.011	9.829	9.946
• o/w surface water *(billions of m³)* (1)		7.392	7.184	7.053	7.167
• o/w groundwater *(billions of m³)* (1)		1.734	2.026	1.989	1.938
• o/w distribution network water *(billions of m³)* (1)		0.687	0.801	0.786	0.841
Volume of drinking water produced for public authorities *(billions of m³)*	8.7	8.5	8.5	8.3	8.4
Volume of drinking water introduced into supply networks for public authorities *(billions of m³)*	9.3	9.2	9.2	9.0	9.1
Volume of water produced for industrial clients *(millions of m³)*	121	175	230	223	222
Volume of water abstracted for energy production by the Energy business (1) *(millions of m³)*		44	44	85	71

(1) For the Energy business, scope limited to heat production and distribution facilities exceeding 100 GWhTh.

Breakdown of water abstraction by activity in 2019



In 2019, 76% of water abstracted by Veolia was used by end consumers connected to the municipal networks. 16% of abstracted water corresponds to water losses from municipal networks operated by Veolia serving over 50,000 inhabitants.

Commitment, approach and results

Protecting water resources is one of Veolia's areas of expertise. Committed to managing the water cycle and saving resources, Veolia has developed and offers solutions to its public authority and industrial clients to:

- diagnose and improve their water footprint;
- protect existing resources;
- optimize the long-term management of resources;
- support end users with responsible consumption;
- develop alternative resources.

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

Contribution to international projects

At European level, Veolia contributes to parliamentary work to change water legislation, including with regard to reuse enabling a reduction in abstraction. Veolia is a signatory of the Daegu Declaration and participates in OECD working groups on water governance (Business and Industry Advisory Committee, BIAC). The Group also takes part in major international water events (World Water Council, World Water Forum, Word Water Week and each climate COP). In addition, Veolia contributed to the WBCSD "CEO guide to water" and the "CEO guide to the circular economy".

Diagnose and improve water footprints

The Group has developed a Water impact index (WIIX), which is included in its GreenPath environmental footprint overall assessment tool (see Section 6.2.1.5 above). This enables businesses and public authorities to determine measures for managing and using water. It can be used with the carbon footprint.

The diagnoses are performed using the WIIX tool and a risk assessment tool, the GEMI® Local Water Tool (LWT).

Veolia performed a water diagnosis at 96% of the sites with significant water stress issues it operates, exceeding the Group objective of 95% in 2019. Totaling 25 across all Veolia's businesses (Water, Waste and Energy), these sites represented nearly 10% of water abstraction by the Group in 2016. The 2020-2023 Environmental Plan set a 95% objective for the new scope of sites operated in 2019.

Deployment of water diagnoses at sites with significant water stress issues

	2016	2017	2018	2019	2019 objective	2023 objective
Share of sites with significant water stress issues that were diagnosed	27%	69%	92%	96%	95%	95% (new site scope)

The diagnoses conclusions show that the water stress issue is reasonably well known to the sites and that certain have already implemented solutions or proposed them to their customers. The study of water risks and impacts at each site provides them with more information, helping to open up a dialogue with customers and other stakeholders regarding these challenges.

Protect existing resources

Protecting existing water resources against human contamination encompasses:

- preventing accidental pollution;
- identifying chronic sources of damage to resources;
- establishing protection zones around catchment areas;
- implementing resource monitoring.

Optimize the long-term management of resources

Veolia provides solutions for:

- managing abstraction over the long-term;
- optimizing procedures and process water recycling;
- reducing water loss through improvements to distribution network efficiency.

In many cities, 20% to 50% of the water produced is lost mainly through leaks in distribution networks. Veolia has made reducing losses from networks one of its priorities.

Certain municipal contracts set a leak reduction objective, particularly targeting network leaks: drinking water network performance improvement objective of 79% to 85% by 2023 for the city of Lille.

Water consumption and efficiency rate of networks serving over 50,000 inhabitants

	2015 *Pro forma* (2015-2019)	2016 *Pro forma* (2015-2019)	2017 *Pro forma* (2015-2019)	2018 *Pro forma* (2015-2019)	2019 *Pro forma* (2015-2019)	2019 objective	2023 objective
Volume of drinking water consumed *(millions of m³)*	3,749	3,854	3,905	4,023	4,065	-	-
Volume of water losses in distribution networks *(millions of m³)*	1,447	1,422	1,397	1,317	1,328	-	-
Efficiency rate of drinking water networks *(as a %)*	72.2%	73.0%	73.6%	75.3%	75.4%√	≥ 75%	> 75%

The improvement in the drinking water network yield, with a *pro forma* scope, 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.

Encourage 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	2019	2019 objective	2023 objective
Smart meter solutions *(in millions)*	4.4	5.1	5.6	5.8	↑	6
Percentage of customers with progressive rates *(as a %)*	49%	52%	71%	72%	↑	80%

The Group is going digital. Platforms and applications for public authorities (Urban Board) and users (Urban Pulse) provide an overview of water services and a direct and real-time access to data. These "smart" solutions strengthen responsiveness and operating efficiency.

Develop alternative resources

The development of alternative resources also helps save resources, such as the reuse of purified water, the retrieval of rainwater, groundwater recharge and sea water desalination.

Volume of water reused from collected and treated wastewater

	2015	2016	2017	2018	2019	2019 objective	2023 objective
Volume of water reused from collected and treated wastewater *(in millions of m^3)*	373*	373	355	368	404	↑	↑

* *Since 2015, the indicator now includes the Waste business in addition to Water. 2015 results were recalculated accordingly.*

6

Durban, reducing water stress by reusing wastewater

Veolia recycles 98% of the water produced by the eThekwini wastewater treatment plant south of Durban. The 47,500 m^3 of wastewater treated daily (equivalent to 15 Olympic swimming pools) is used by local industries in their production processes. Recycling water for industrial use helps to reduce water abstraction in the environment and to concentrate fresh water resources on the production of drinking water for 220,000 inhabitants of the Durban agglomeration.

6.2.2.3.3 Recover waste and reduce raw material consumption

Commitment

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 (see Section 6.2.2.3.3.1 below) and the by-products of its activities (see Section 6.2.2.3.3.2 below). 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 (see Section 6.2.2.3.3.3 below).

6.2.2.3.3.1 Recover client waste

Challenges and approach

In 2019, Veolia collected 30 million metric tons of waste and processed 49.8 million metric tons.

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.

Objectives and results

Recovery of treated waste

	2015	2016	2017	2018	2019	2019 objective
Waste tonnage treated *(millions of metric tons)*	42.9	44.6	46.2	48.9	49.8	-
Tonnage of materials recovered from treated waste *(millions of metric tons)*	8.3	8.2	8.7	10.0	9.8	-
Heat produced from waste treated *(millions of MWh)*	2.9	3.0	3.0	3.2	3.4	-
Rate of global recovery (materials and energy) from treated waste *(as a %)*	68.3%*	66%*	67.4%*	68.3%*	70.6%*(√)	70%
Recycled materials tonnage from dismantling *(metric tons)*	5,012	62,938	99,839	109,361	169,530	↑

* *Pro forma 2015-2019.*

Under its 2016-2019 Environmental Plan, Veolia set the objective of increasing the overall waste treatment recovery rate to 70%. The long-term objective is to increase recovery: between 2011 and 2019, the materials recovery rate for treated waste rose from 15% to 20% and the energy recovery rate increased from 44% to 46%.

In 2019, Veolia included in its reporting the landfill sites acquired in Latin America, negatively impacting materials recovery rate and positively impacting energy recovery rate.

Over and above the performance of Veolia's recovery activities, these indicators especially reflect the type of contracts signed with its customers (with or without recovery).

In the 2020-2023 Environmental Plan, Veolia refined the method for calculating energy recovery from waste at landfill sites, making it more restrictive. Based on the 2019 scope, the new objectives are a materials recovery rate of 20% and an energy recovery rate of 30%.

A new specific plastic recycling objective was set for 2023: attain 610,000 metric tons of recycled plastic.

Waste treated by the Group on behalf of customers includes hazardous waste. Veolia has set a 2023 objective of an improvement in the abatement rate for all hazardous waste treated, *i.e.* the elimination performance for this type of special waste.

Innovating to recover new types of waste

Veolia develops specific recycling technologies for new types of products, such as **solar panels** at the end of their useful life, a market expected to reach several tens of millions of metric tons by 2050.
In 2018, Veolia launched the first solar panel recycling plant in France and Europe, in Rousset, with PV CYCLE and the Syndicat des énergies renouvelables (Renewable energies union). Between 1,800 and 4,000 metric tons of material per year will be separated to be recycled in various industrial sectors:

- glass is transformed into clean cullet for the glass production sector;
- the frame is used at an aluminum refinery;
- plastics are used as recovered fuel in the cement industry;
- silicon is used in the precious metals sectors;
- cables and connectors are ground down into copper shot.

This expertise could be replicated in other countries.

Combating food waste

Veolia helps supermarket chains comply with regulatory provisions on reducing food waste.
In France, Veolia signed a partnership with the **social-economy start-up Eqosphère**. This start-up optimizes sorting processes and trains employees in stores; Veolia optimizes the recovery of unsold items and biowaste. The result: lower waste volumes, optimized treatment of biowaste and the recovery of unsold goods for reuse by associations and charities.

6.2.2.3.3.2 Recover residual waste and limit the production of final waste

Challenges and approach

The Group generates final waste and primarily:

- residual waste from incineration (bottom ash and residues) and waste sorting and recycling (sorting refusals) in the Waste business;
- combustion waste (bottom ash and fly ash) in the Energy business;
- sludge from municipal wastewater treatment in the Water business.

Across its entire business, Veolia proposes solutions to its customers to reduce final waste production.

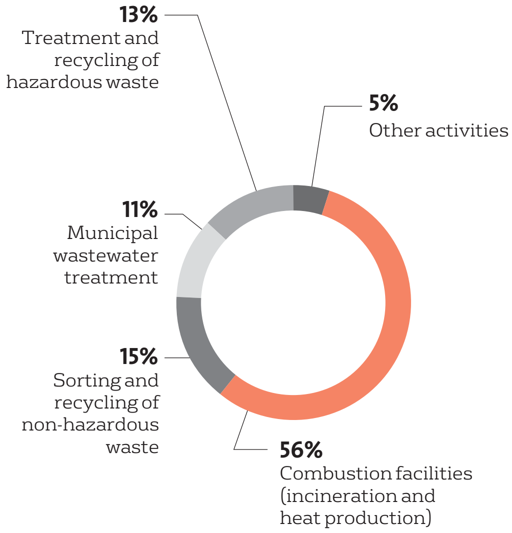
Change in residual waste production

Business	Residual waste produced	2015	2016	2017	2018	2019	2019 o/w recovered
Waste	Non-hazardous waste produced *(thousands of metric tons)*	3,229	3,663	3,447	3,702	3,726	27%
	Hazardous waste produced *(thousands of metric tons)*	650	705	742	796	865	-
Energy	Quantity of bottom ash and fly ash (2) *(thousands of metric tons)*	1,147	1,251	1,203	1,128	1,190	73%
Water	Sludge produced by wastewater treatment (1) *(thousands of metric tons of dry matter)*	721	680	662	691	718	69%

(1) For wastewater treatment plants with a population equivalent capacity of over 100,000.
(2) At heat production and distribution facilities exceeding 100 GWhTh.

The residual waste from Water and Waste activities increased in 2019 due to a larger quantity of tonnage received for treatment, even if the overall waste recovery rate improved.

Breakdown of residual waste production by activity in 2019



Objectives and results

Recovery rate for the main types of residual waste produced by the Group's activities

	2015	2016	2017	2018	2019	2019 objective	2023 objective
Recovery rate of residual combustion waste *(as a %)*	56%	58%	61%	63%	63%	≥ 65%	/
Materials recovery rate for waste treated in sorting centers *(as a %)*	91% (1)	89% (1)	89% (1)	89% (1)	88% (1)	≥ 85%	/
Recovery rate for wastewater treatment sludge *(as a %)*	62%	63%	57%	58%	69% (2)	≥ 65%	> 75%
Production of alternative fuels from treated waste *(thousands of metric tons)*	923	1,097	1,169	1,501	1,580	↑	/

(1) Pro forma 2015-2019.
(2) This indicator now includes waste recovered as energy (biogas).

Only the 2019 residual combustion waste recovery objective was not attained, despite progress since 2015.

Limit and recover waste incineration residues

The recovery of bottom ash, the non-combustible solid residue produced by incineration, is regulated according to its source. After a period of maturation and depending on its composition, it may be recovered as road construction material. In quantity terms, it accounts for roughly 17% of incinerated non-hazardous waste.

Veolia is contractually responsible for managing 60% of the bottom ash produced by the incinerators that it operates, equivalent to around 1.0 million metric tons; 92.5% of this was recovered in 2018. 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. In quantity terms, they account for roughly 3% of incinerated non-hazardous waste.

The 2023 objective is a recovery rate of 90% for incineration bottom ash.

Limit and recover thermal energy plant combustion waste

The combustion of solid fuels (coal, lignite and biomass) produces ash: solid residue known as bottom ash and fly ash. Fly ash is captured by dust removal equipment to ensure that only a tiny amount of dust goes into the atmosphere.

Veolia is committed to:

- limiting the production of combustion waste by improving combustion techniques;
- treating or recovering waste in accordance with local regulations.

The 2023 objective is a recovery rate of 70% for combustion residual waste.

Optimize recovery from waste sorting centers

The materials recovery rate for waste treated in sorting centers is impacted by:

- the expansion of waste sorting instructions in France, generating more soiled waste that is harder to recycle;
- the development of international contracts with lower customer targets.

The 2019 material recovery target of 85% was exceeded.

To further increase the recovery of residual waste, Veolia conducts projects with Research and Innovation to:

- optimize sorting: development of innovative technologies such as remotely operated sorting (refined sorting using touch screens) and sorting using Artificial Intelligence (Max AI® sorting robot);
- search for recycling solutions for complex waste derived from new technology: electronic equipment, plastics or solar panels (see Section 6.2.2.3.3 above);
- produce so-called "refused-derived fuels", an alternative fuel for cement plants and for incineration electricity and heat production.

Recover sludge from wastewater treatment

Wastewater treatment produces sludge, which is a concentrate of the organic and mineral material previously contained in the water.

With population growth and increasingly sophisticated wastewater treatment systems, public authorities and industrial companies are faced with growing sludge volumes. Veolia's challenge is to transform this sludge to reduce the related management costs and recover it:

- as products that can be used in agriculture (spreading and composting) when the quality of the sludge and the availability of suitable land permits (47% in 2019), or industry;
- as energy (7% in 2019): anaerobic digestion, use as a replacement fuel, incineration with energy recovery.

Veolia promotes sludge recovery solutions. However, the Group does not always have decision-making powers over the choice of treatment and recovery solution. The Group ensures that the quality of the sludge is always appropriate for the customer's intended use. The 2019 objective was attained. The 2023 objective is a recovery rate of 75% for wastewater treatment sludge.

6.2.2.3.3.3 Reduce material consumption at sites Veolia operates

Challenges

Raw materials consumed (excluding fuels) are mainly treatment reagents used to produce drinking water and treat wastewater (notably urea, ammoniac, coagulants and flocculants). Their consumption is monitored internally and the related greenhouse gas emissions are included in the Group's scope 3 emissions (see Section 6.2.3.3.1 below).

Approach

The Group optimizes raw material consumption and efficiency of use:

- at an economic level: through a cost savings plan;
- at an environmental level: through reduction objectives for Group greenhouse gas emissions.

In the Water business, several solutions optimize the consumption of materials:

- predictive regulation of reagents to optimize dosage levels. For example, the PrédiflocTM process reduces coagulant consumption by 15% on average;
- 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.

6.2.2.3.4 Optimize land use

Challenges

The landfill sites and drinking water production sites operated by the Group cover the largest areas.

Approach

Towards ecological land management

Site land areas are not fully sealed. Veolia designs and operates these sites 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 design and management guide for its sites with the support of UICN France. Site operating rules include conditions governing the use of land that are consistent with the Group's commitment to ecosystem management.

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, encouraging 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 (see Section 6.2.4 below).

Implementation of protective perimeters around water catchment areas

Catchment areas for water intended for consumption are surrounded by protective perimeters. Human activities that could directly or indirectly damage water quality are prohibited or regulated. In its wellfield operations, the Group conducts voluntary biodiversity-friendly actions: management of green areas, inventory of animal and plant life, etc.

6.2.2.3.5 Limit the discharge of pollutants into water

Challenges

Veolia provides sanitation services to nearly 67 million people worldwide and operates 2,835 urban wastewater treatment plants.

Volume of collected and treated municipal wastewater

	2015	2016	2017	2018	2019
Volume of wastewater collected *(billions of m³)*	6.5	6.4	6.3	6.5	6.7
Volume of wastewater treated *(billions of m³)*	5.8	5.7	5.7	5.8	5.9

The main discharges from facilities operated by the Group concern its Water business.

Commitment, approach and result

Protecting water resources is one of Veolia's areas of expertise, and it is committed to optimizing management of the water cycle.

Collect and decontaminate wastewater

Veolia has developed a comprehensive approach to help public authorities efficiently manage wastewater collection and treatment services, according to their size and issues.

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. Under the 2016-2019 Environmental Plan, Veolia set minimum efficiency thresholds of 90% and 85% respectively, well above French regulatory thresholds [1], and largely exceeded them. These thresholds were increased to 95% and 90% in the 2020-2023 Environmental Plan.

(1) *The amended 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.*

Treatment efficiency of wastewater treatment plants with a population equivalent capacity of at least 100,000

	2015	2016	2017	2018	2019	2019 objective	2023 objective
BOD5 treatment efficiency *(as a %)*	96.0%	96.0%	95.7%	95.6%	96.0% (√)	> 90%	≥ 95%
COD treatment efficiency *(as a %)*	91.4%	91.5%	91.3%	90.9%	91.9% (√)	> 85%	≥ 90%

Furthermore, in accordance with the European Water Framework Directive, Veolia implemented systems 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. These systems were particularly implemented in France.

A comprehensive range of monitoring services

Veolia offers customers a comprehensive range of monitoring services for water pollutants involving sampling and analysis. It has developed regulatory analysis techniques and biological tools for measuring the impact of these discharges on target organisms. When necessary, the Group works with its customers to define and implement solutions to reduce or eliminate the discharge of hazardous substances into the natural environment and manage the attendant risks. 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.).

6.2.2.3.6 Limit atmospheric pollution

Challenges

The atmospheric emissions generated by Group activities mainly concern its Energy business (combustion plants for heat or heat and power production) and its Waste business (incineration).

SO_x and NO_x emissions	2015	2016	2017	2018	2019
SO_x emissions *(metric tons)* (1) (2)	69,397	69,733	71,860	12,920	13,185
NO_x emissions *(metric tons)*	40,791	41,236	41,349	20,302	20,979

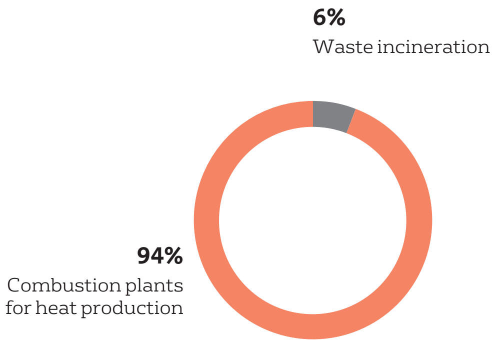
(1) For combustion facilities, Sulfur Oxide (SOx) and Nitrogen Oxide (NOx) emissions are calculated in accordance with the European Industrial Emissions Directive (IED) of November 24, 2010 as from fiscal year 2018 after bringing facilities managed by Veolia up to standards. Emissions from previous years were calculated in accordance with the former European Directive of October 23, 2001.These documents set the maximum values for emissions based on fuel type and facility capacity.

(2) The calculation methods for SOx and NOx emissions may differ depending on the activity. For the Group's waste incinerators, particularly in Europe, dust, TOC, HCl, SO_2, HF, CO, NOx 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.

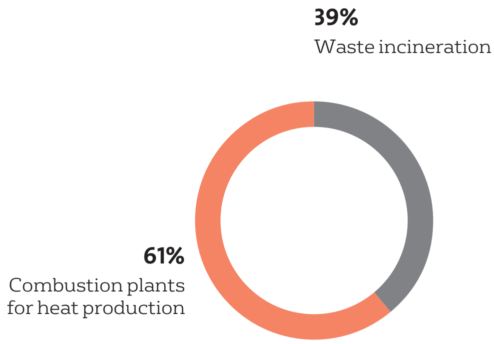
Other methods may be used in response to local requirements, based on emission factors depending on the tonnage burned, with these factors being determined through tests under real operating conditions.

The marked decrease in 2018 of Sulfur Oxide (SO_x) and Nitrogen Oxide (NO_x) emissions is related to the change in the threshold limit used to calculate emissions for combustion facilities (see Note (1) in the table above).

Breakdown of SO_x emission in 2019 (%)



Breakdown of NO_x emission in 2019 (%)



Commitment and approach

As part of its commitment to combat pollution, Veolia strives to reduce the atmospheric emissions of the facilities which it operates by implementing the best available techniques (BAT).

Objectives and results

Atmospheric emissions from combustion plants for heat production

Under its 2016-2019 Environmental Plan, Veolia set the objective of reducing atmospheric emissions per unit of energy produced, and defined threshold objectives for 2019.

Emissions of thermal installations selling over 100GWh/year

	2015	2016	2017	2018	2019	2019 objective	2023 objective
NO_x *(g/MWh)*	363	322	299	273	280	< 300	< 270
SOx *(g/MWh)*	483	295	244	224	196	< 250	< 210
Dust *(g/MWh)*	17	15	12	13	12	< 12	< 13
Mercure *(mg/MWh)*	-	-	-	-	-	-	< 5

The steady decline since 2015 in SO_x and dust emissions by these facilities reflects the efforts of the sites and the technical centers of excellence to capture and treat air pollutants emitted by heat production plants.

The increase in NO_x emissions in 2019 is due to the sale of district heating activities in the United States, which produced significantly lower emissions than the Group average. At thermal installations, Veolia adopts best available techniques (BAT) for optimizing combustion while minimizing nitrogen oxide (NO_x) and carbon monoxide (CO) emissions and flue treatment systems (denitrification, desulphurization and dust removal from combustion gases). The Group is also continuing efforts to reduce fuel consumption and encourage the use of cleaner fuels, specifically biomass and natural gas.

Atmospheric waste incinerator emissions

In its 2016-2019 and 2020-2023 Environmental Plans, Veolia uses the strictest regulatory benchmark - the European Union benchmark - to assess its overall performance worldwide. In 2019, as in previous years, average emission concentrations were below the levels stipulated by the European Directive.

The Group defined a new specific mercury objective of a lower threshold of 5 mg/MWh.

6

Emissions from hazardous and non-hazardous waste incineration plants in 2019

	CO	NO_x	SO_x	HCl	Dust	Dioxins
	mg/Nm3	mg/Nm3 (1)	mg/Nm3	mg/Nm3	mg/Nm3	ng/Nm3
Average concentration of emissions from hazardous and non-hazardous waste incineration plants	10.0	125	12.2	6.6	1.6	0.02
2019 objectives (2)	≤ 50	≤ 200	≤ 50	≤ 10	≤ 10	≤ 0.1
2023 objectives (2)	-	< 115	< 40	-	< 10	-

(1) For NOx, the standard depends on the output rate: 200 mg/Nm3 for plants > 6 metric ton/hour and 400 mg/Nm3 for plants < 6 metric ton/hour.
(2) The 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 amended decrees of September 20, 2002 (daily averages).

Veolia contributed actively to the review of the Waste Incineration BREF (Best available techniques Reference document), published at the end of 2019. These technical documents are prepared by the European Commission and the incineration industry and are a reference for best available techniques, specifically for improving the environmental impact, including air emissions and specifications on NO_x, CO, TOC, HCl, HF, SO_2, NO_x, PCDD, metals, dust, etc.

6.2.2.3.7 Protect and restore soil quality

Challenges

The landfill sites and drinking water production sites operated by the Group mainly cover the largest areas. At these sites, soil contamination can lead to groundwater or surface water pollution.

Veolia also offers solutions to remediate contaminated soils and maintain soil quality.

Commitment and approach

Veolia is careful not to cause any chronic or accidental soil pollution at the sites it operates by:

- storing and using materials under good conditions;
- properly managing storm water and effluents;
- ensuring that resources for preventing accidental spillages remain operational.

Prevention and monitoring at landfill sites

Minimum Veolia standards govern the design and operation of landfill sites. These include: carrying out geological soil studies; 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); systems for collecting and treating leachates and surface water; 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.

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 6.2.2.3.3.2 above, Recover residual waste and limit the production of final waste).

6.2.2.3.8 Reduce local pollution

The Group seeks to minimize any local pollution in all its activities.

Limit, capture and treat odors

Challenges

The natural process of organic matter decomposition can generate odorous molecules. This process concerns several Group activities: biological water treatment, composting, collecting household waste, waste storage facilities.

Commitment and approach

Tackling odor emissions is an ongoing concern for Veolia. The Group strives to limit, capture and treat them.

It implements solutions directly and works with its customers where they are responsible for the necessary 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.

Limit waste collection noise

Challenges

Noise issue has become a key concern for local elected representatives. The main noise problems primarily concern waste collection.

Approach

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 Risks and opportunities

Climate change raises physical risks to which Veolia and its customers must adapt. The necessary transition to a low-carbon economy also generates transition risks, as well as commercial opportunities for the Group. These risks can have a negative impact on the Company due to the consequences of natural disasters on its sites or locations, the impact of weather conditions on its business activities, particularly the Water and Energy businesses, and changing regulations, notably governing energy production and CO_2 allowance markets (see Chapter 1, Section 1.3.2 above, Factors that could influence the Group's business lines and Chapter 5, Section 5.2.2.1 above, Risks relating to natural disasters, climate change and seasonal factors).

In order to help combat climate change, Veolia is committed to implementing solutions to reduce greenhouse gas emissions (GHG) and limit climate change, both for itself and its customers (see Section 6.2.3.2 below, Policy and commitments).

In 2019, direct GHG emissions (scope 1) [1] and indirect GHG emissions linked to energy purchases (scope 2) [2] of Group operations amounted to 31.5 million metric tons CO_2 eq. 45% was generated by its Energy business (mainly the operation of heating networks) and 42% by its Waste business (mainly methane emissions (CH_4) [3] in landfills and CO_2 emissions by incinerators). The distribution of GHG emissions (scope 1 and 2) by business does not directly correlate with the distribution of revenue (see diagram below). The Group also calculates other indirect emissions (scope 3) [4]: emissions linked to significant sources of scope 3 represent 36% of scope 1 and 2 (see Section 6.2.3.3.1 below).

(1) Direct GHG emissions (Scope 1): Direct emissions from fixed or mobile facilities within the organizational perimeter, i.e. emissions from sources held or controlled by the organization, such as: fixed and mobile combustion, industrial processes excluding combustion, biogas from landfills, refrigerant leaks, etc.

(2) Indirect emissions linked to energy purchases (Scope 2): Indirect emissions linked to the imported production of electricity, heat or steam for the organization's activities. Veolia also includes losses from electricity and heat distribution networks operated by the Group.

(3) The global warming potential of biogenic methane (CH4) over 100 years is 28 times higher than carbon dioxide (CO_2), GIEC AR5 report, 2014.

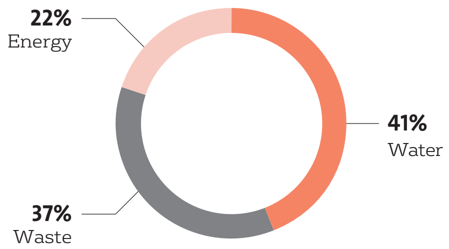
(4) Other indirect emissions (Scope 3): Other emissions indirectly produced by the organization's activities which are not recognized in scope 2 but which are linked to the complete value chain, such as: the purchase of raw materials (electricity, heat or gas for a retail business, etc.), services or other products (reagents, etc.), business travel, upstream and downstream transport of goods, managing waste generated by the organization's activities, use and end of life of sold products and services, capitalization of production goods and equipment, etc.

Overall, changes to regulations provide new market opportunities for the Group's activities: (see Chapter 1, Section 1.2.3 above, Target growth in priority markets and Section 1.2.3 above, The new Veolia program for the period 2020-2023):

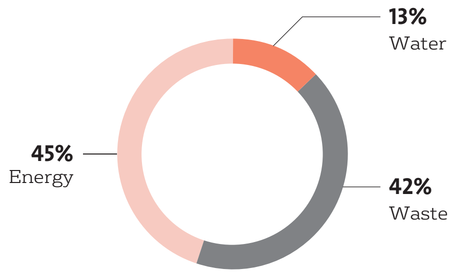
- Veolia is a player in the low-carbon transition and provides its customers with solutions aimed at reducing greenhouse gas emissions (energy efficiency, use of renewable energies, capturing and recovering methane, waste material and energy recovery, see Chapter 1, Section 1.3.1.2 and 1.3.1.3 above, Business lines). In 2019, GHG not emitted due to Group activities represented 48% of emissions (scopes 1 and 2) (see Section 6.2.3.3.2 below);
- the Group is also committed to implementing solutions to adapt to the effects of climate change, particularly for managing the small and large water cycle (see Chapter 1, Section 1.3.1.1 above, Business lines and Section 6.2.3.2.2 below, Adaptation scenario).

The Group's **Research and Innovation** activities contribute fully to developing solutions to reduce greenhouse gas emissions and optimize energy consumption, as well as technical solutions to adapt to climate change (see Chapter 1, Section 1.4.3 above). Regional resilience is supported by the innovation structures, such as the 2EI Innove research office for "Consulting and innovation, sustainable cities" (see Section 6.2.3.2.2 below).

Revenue by business (%)



GHG emissions by business (scope 1 and 2) (%)



6.2.3.2 Policy and commitments

6.2.3.2.1 Commitments and objectives

As part of its sustainable develoment commitments (see section 6.1.1 above), Veolia made the following commitment:

Commitment 2	2020 Objectives (1)	Sponsor
Contribute to combating climate change (2)	• Achieve 100 million metric tons of CO_2 equivalent of reduced emissions over the 2015-2020 period • Achieve 50 million metric tons of CO_2 equivalent of avoided emissions over the 2015-2020 period • Capture over 60% of methane from managed landfills	Mr. Patrick Labat, Member of the Executive Committee Senior Executive Vice-President, Northern Europe

(1) See definition of the three indicators in Section 6.2.3.3.2 below.
(2) The Group's 2020 sustainable development objectives for the climate objective were set based on the business changes presented to investors in the long-term plan in 2015 and the related GHG emissions calculated business-by-business.

Veolia has adopted the conclusions of the IPCC report of October 2018 on "The impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty". On adopting a **Purpose in April 2019** (see Chapter 1, Section 1.1.2 above), the Group embedded its activity in a framework of fair transition to benefit regions through its customers, both public authorities and industrial groups (see Chapter 1, Section 1.2.5 above, Towards carbon neutrality).

The Group contributes fully to the carbon neutral approach of sites under its operational responsibility. This approach is based around four complementary lines:

- **reducing the Group's GHG emissions** based on measuring and reporting scope 1, 2 and 3 GHG emissions (see Section 6.2.3.3.1 below). Veolia's responsibility is divided between:
  - its own assets, such as the investment plan to eliminate coal in Europe by 2030, estimated at €1.2 billion,
  - activities and services for which the Group exercises operational control where decisions (choice of energy mix, investments) are shared with its customers or supported by them,
  - and in the value chain, depending on the Group's sphere of influence.

In 2019, Veolia committed to a 22% reduction in its greenhouse gas emissions (scopes 1 and 2) over 15 years, that is by 2034, compared with the operational scope of the 2018 reference year [(1)]. This objective is compatible with **Paris Agreement** ambitions (below 2DS trajectory) and was validated by the **Science Based Targets** [(2)] initiative.

The Group's GHG emissions are expected to increase slightly until 2020 and the decrease. In 2019, the raise of 0.5% on the 2018 operational perimeter is linked to organic growth on landfills and raise in drinking water production out of desalination plants and development of energy services to industrials. To this end, a thermal coal substitution policy and a new methane capture target have been set in the 2020-2023 Environmental Plan.

Main drivers for reducing greenhouse gas emissions

	2023 objective
CO_2: Progress with the investment plan to eliminate coal in Europe by 2030 [(1)] *(as a % of 2030 target)*	30%
CH4: Methane capture rate *(in%) (current scope)*	55%

- **developing solutions** to help its customers to **avoid emissions**, through the generalization of the circular economy and the recovery of unavoidable energy (see Section 6.2.3.3.2 below).

Emissions avoided by Veolia customers, tied to the 2020-2023 strategic plan

	2023 objective
Avoided emissions [(1)] *(in millions of metric tons of CO_2 eq.) (current scope)*	15

(1) Emissions avoided by the Group's businesses under the 2020-2023 strategic plan are not calculated in the same way as for the 2015-2020 sustainable development commitment, following changes to the methodology and notably the integration of preliminary guidance on accounting for avoided emissions for the waste and recycling sector (EIT Climate KIC - January 2020) and the emissions avoided by the Energy business (cogeneration and production of renewable and alternative energies).

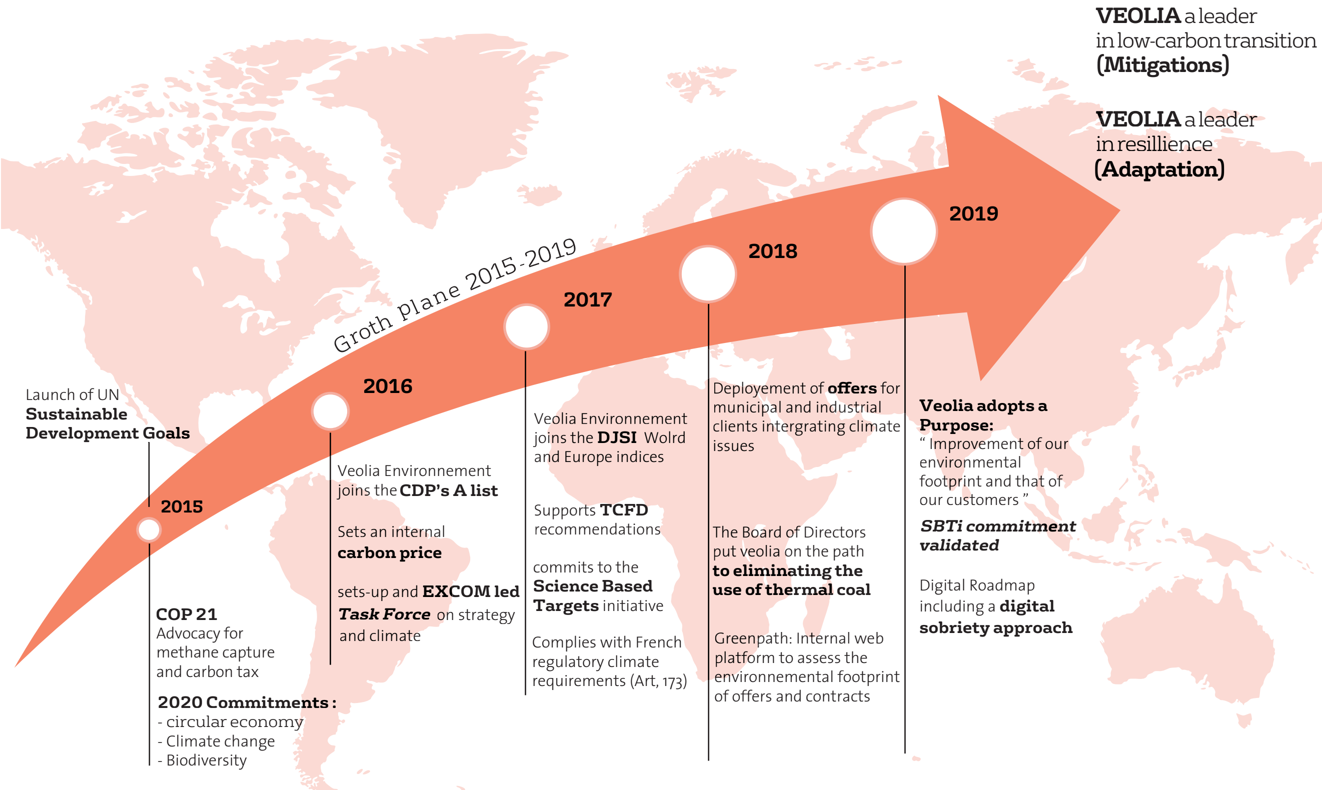
- **offsetting GHG emissions** through projects allowing the issue of carbon credits (*e.g.* recovering biogas from landfill sites in Latin America), by participating in the development of the French low carbon certification through I4CE, creating offsetting opportunities in France or by implementing voluntary offsetting initiatives (*e.g.* SEDIF carbon neutral water contract, 4.6 million users in 2018);
- **CO_2 sequestration** through a service offering for the operation of industrial CO_2 sequestration sites and a research program focusing on demonstrating carbon sequestration on agricultural land and improving this potential through optimization of organic soil conditioner use.

(1) The scope adopted for the change in GHG emissions in the context of the SBT initiative is the 2018 scope under operational control. In the event of cessation of a contract, it will not longer be included in the change in emissions, with prior year changes remaining earned.

(2) The SBTi provides companies with GHG emission reduction pathways enabling them to calculate by how much they must reduce their own emissions and within what time frame to contribute to the Paris climate agreement. https://sciencebasedtargets.org/companies-taking-action/

Addressing climate issues in Veolia's strategy

(see Chapter 1, Section 1.2 above)



6.2.3.2.2 Emission pathways and climate scenarios

As climate change raises both transition risks and physical risks, Veolia addresses **transition scenarios** and **adaptation scenarios** in its strategic planning. Veolia contributed to the AFEP study, "Guiding companies to build their energy & climate scenarios" and the EFRAG European Lab Project Task Force (PTF) on climate-related reporting, to identify best practice and particularly the use of climate scenarios.

Transition scenarios

In 2019, the 15-year GHG emission reduction targets for Veolia's operational scope were validated by the Science Based Targets initiative as compatible with the Paris climate agreement objectives.

Veolia - a responsible player in energy transition: towards thermal coal substitution

Veolia's coal activities amount to 2.9% of its revenue and 31% of direct emissions of activities under the Group's operational control in 2017. Veolia has decided to take a position regarding coal-fueled heat and electricity production.

In 2018, the Board of Directors put Veolia on the path to substituting thermal coal: Veolia is committed to not developing or acquiring new activities using coal, except activities specifically aiming to replace coal with energies producing fewer greenhouse gas emissions. Rather than passing on the responsibility through divestiture, the Group agrees to start converting its existing business activities to totally remove the CO_2 impact of using coal over time by combining several drivers: improving energy performance by increasing thermal plants and networks efficiency and implementing energy efficiency solutions, as well as replacement of coal, either with alternative fuels (waste, biomass, gas) or by using recovered waste heat.

In its 2020-2023 Environmental Plan, Veolia set a target investment completion rate for the conversion of coal-fired power plants in Europe by 2030, at sites where Veolia controls investment.

As early as September 2014, Veolia advocated for 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 for 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 until 2030. It reflects its vision of changes in regulations governing the markets in which it operates and is applicable to investment projects.

Contributing to carbon neutral regions

Veolia contributes actively to reducing GHG emissions in the regions and countries where it operates.

In 2018 and 2019, Veolia took part in the ZEN 2050 study supported by *Entreprises Pour l'Environnement* (EPE), the contribution of a multi-sector business group to the discussion on the National Low Carbon Strategy in France.

Together with Imperial College of London, Veolia contributed to the study "An exploration of the resource sector's greenhouse gas emissions in the UK, and its potential to reduce the carbon shortfall in the UK 4th and 5th carbon budgets" [1].

In a context where the carbon neutral concept has still to be defined, the Group advocates for a **scientific accounting of greenhouse gas (GHG) emissions**. The leading scientific body, CITEPA, verified the GreenPath tool developed by Veolia to measure the carbon footprint of contracts and offers (see Section 6.2.1.5) complies with the GHG Protocol Carbon Footprint® and ISO standards. In 2019, Veolia also began drafting "Preliminary guidance on accounting for avoided emissions in the waste management and recycling sector", benefiting from European funding [2].

The Group is also committed to promoting low-carbon solutions enabling **avoided emissions** and participates in the recycled plastic material ECO-PROFILs produced by the French Plastics Recyclers professional body (*Syndicat national des Régénérateurs de matières Plastiques*, SRP). In 2018, SRP provided its customers with certificates representing a potential saving of 0.3 million metric tons of CO_2 equivalent.

Adaptation scenarios

Veolia also addresses in its strategic planning, the physical implications of IPCC scenarios with a higher average temperature (see Chapter 1, Section 1.2 above, Strategy).

In its 2016-2019 Environmental Plan, Veolia set an objective of performing a diagnosis at 95% of the sites it operates with significant **water stress** issues (see Section 6.2.2.3.2 above, Save water resources) using a risk and impact analysis tool [3]. In its 2020-2023 Environmental Plan, Veolia strengthened this objective and included an indicator to identify and act at sites operated by the Group in zones with a high exposure to **flood** risk [4]: this physical risk (natural disaster) is exacerbated by climate change risks and is a main risk of the Group. (see Chapter 5, Section 5.2.2.1 above).

Helping regions adapt to climate change

Veolia accompanies the development of regions and proposes offers and solutions for adapting to climate change and, more broadly, improving resilience to stress and disasters that customers may face (see Section 6.3.3.3.1 below, Contributing to regional momentum). The Veolia 2EI Innove research office [5] accompanies the Group's customers, to jointly develop a resilience plan [6] with regional players. The Group deploys a range of operational solutions tailored to climate change adaptation, focusing particularly on:

- managing the large water cycle;
- water recycling and the reuse of wastewater to reduce pressure on resources and conflicting usages;
- controlling urban wastewater systems in rainy weather to limit flooding risk and the health and biodiversity impacts on waterways and beaches;
- limiting urban heat islands;
- crisis management and continuity plans for essential services (water, energy, waste management, etc.) in the case of extreme events, etc.

6.2.3.2.3 Governance of the climate commitment

The policy designed to combat climate change is coordinated at the highest Group level. The **Board of Directors** approves the Group's strategy and makes decisions which commit the Group, such as the substitution of coal at heat production facilities in the medium- to long-term (see box Sections 6.2.3.3.2 above and Chapter 7, Section 7.2.1.4 below). It monitors the Company's performance through the "Combatting climate change" multifaceted performance indicators (see Chapter 1, Section 1.2.4.6). The results of climate commitments are presented annually to its Research, Innovation and Sustainable Development Committee (see Chapter 7, Section 7.2.2.4 below). The Director of the Northern Europe zone, Patrick Labat, is the Executive Committee sponsor of the climate commitment. He presents the Group results on climate to the Executive Committee and submits proposals for associated action plans. The environmental indicators chosen to

(1) An exploration of the resource sector's greenhouse gas emissions in the UK, and its potential to reduce the carbon shortfall in the UK 4th and 5th carbon budgets.

(2) Project financed by EIT Climate KIC in 2019, initiated by VEOLIA and conducted with Quantis, The Gold Standard Foundation, WBCSD, Paprec, Séché Environnement and Suez.

(3) GreenPath, environmental footprint tool (see Section 6.2.1.5 above) based on WRI - Aqueduct data.

(4) Based on environmental data presented in the CatNet® indicators produced by SwissRe.

(5) www.2ei.veolia.com

(6) Example: Milwaukee Metropolitan Sewerage District, Resilience Plan, August 2019, www.mmsd.com/application/files/2915/6573/9008/17-021_WorkingPlan_0725_Web_Resilience_Plan.pdf

calculate the variable compensation of the Chairman and members of the Executive Committee are also part of the Group's climate commitments. (see Chapter 7, Section 7.4 below).

Through its Director, the Sustainable Development Department is responsible for coordinating actions linked to Group commitments to combat climate change, both in terms of reducing greenhouse gas emissions and adapting to climate change. The environmental performance indicators are included in the Group's Environmental Management System.

At an operational level, each Business Unit Director is responsible for breaking down the Group strategy (see Chapter 1, Section 1.2 and 1.3 above) into business opportunities and risks inherent to their business lines and region. Climate risk is identified as a main risk (see Section 5.2.2.1 above) of the Group's efficiency program(see Section 1.2.2 above) and the Environmental Management System (see Section 6.2.1 above).

Active participation in climate change conferences and alliances

Veolia participates in the international conference of the United Nations Framework Convention on Climate Change (UNFCCC). Since COP21, the Group has worked to play a part at these conferences and contribute to debates on mitigating and adapting to climate change. During the COP25 in Madrid in 2019, Veolia took part in several side events organized by the French Pavilion, speaking on issues concerning adaptation and education challenges as society transforms.

Veolia has contributed to the 2050 Pathways Platform *via* **Nazca Tracking Climate Action**. Veolia is a member of **Sustainable Energy for all (SE4All)**, which aims to promote urban heat networks as a recognized solution for energy transition at regional level and a reliable source of reducing CO_2 emissions. This initiative is currently deployed in China, at several pilot sites.

Veolia is also an active member of **Climate and Clean Air Coalition (CCAC)**, through the **Municipal Solid Waste Initiative** program, which helps cities implement better waste management practices and contribute to reductions in GHG and short-lived climate pollutant emissions. At the 4th session of the United Nations Environment Assembly in 2019, Veolia spoke on how waste and resource management can help attain the Paris Agreement objectives.

Mapping of NFRD non-binging requirements [(1)] and TCFD recommended disclosures [(2)]

TCFD Recommended Dsiclosures		NFRD Elements: Business model	NFRD Elements: Policies and Due Diligence Processes	NFRD Elements: Outcomes	NFRD Elements: Principal Risk and Their Management	NFRD Elements: Key Performance Indicators
Governance	a) Board's oversight		7.2.1.4 7.2.2.4			
Governance	b) Management's role		6.2.3.2.3			
Strategy	a) Climate-related risks and opportunities				1.3.2	
Strategy	b) Impact -related risks and opportunities	1.3.2 1.2.4				
Strategy	c) Resillience of the organization's strategy	1.2.3 6.2.3.2.2				
Risk Management	a) Processes for identifying and assessing				5.2.1	
Risk Management	b) Processes for managing				5.2.2.1	
Risk Management	c) Integration into overall risk management				5.1.1	
Metrics and Targets	a)Metrics used to assess					1.2.3.6 6.2.3.2.1
Metrics and Targets	b) GHG emissions			6.2.3.3		
Metrics and Targets	c) Targets			6.2.3.2.1		

(1) *Climate-related information reporting guidelines (2019/C 209/01).*

(2) *The TCFD (Task Force on Climate related Financial Disclosures), 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. These were adopted as non-binding guidelines by the European Commission in June 2019.*

6.2.3.3 Actions and results

6.2.3.3.1 Climate performance – Emissions reporting

To provide transparency and advice to its customers, Veolia has been reporting on and publishing greenhouse gas emissions, based on the GHG Protocol, for the scope of activities under the Group's operational control, regardless of the percentage consolidation in the financial statements (see Section 6.8 below, Methodology).

Change in GHG emissions of activities under operational control in the current scope [1]

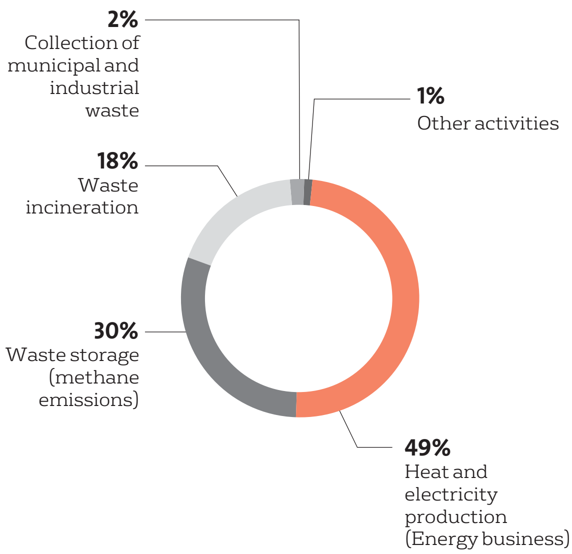
	2015	2016	2017	2018	2019
Scope 1 – Direct emissions [1] [2] *(million metric tons of CO_2 eq.)*	26.9	28.5	28.8	29.6	26.3 (√)
Scope 2 – Indirect emissions linked to energy purchases *(million metric tons of CO_2 eq.)*	7.5	5.3	5.2	5.1	5.2 (√)
Total *(million metric tons of CO_2 eq.)*	34.4	33.8	34.0	34.7	31.5 (√)
Emissions linked to biogenic carbon [2] *(million metric tons of CO_2 eq.)*	-	8.3	8.2	9.1	10.6

(1) By convention, household waste is considered to consist 50% of biogenic carbon and refused derived fuels 30% of biogenic carbon. The methodology for calculating direct emissions at landfills was reviewed in 2018 to include a better identification of waste accepted at the sites, the modifications have been applied to the years 2015 to 2018.

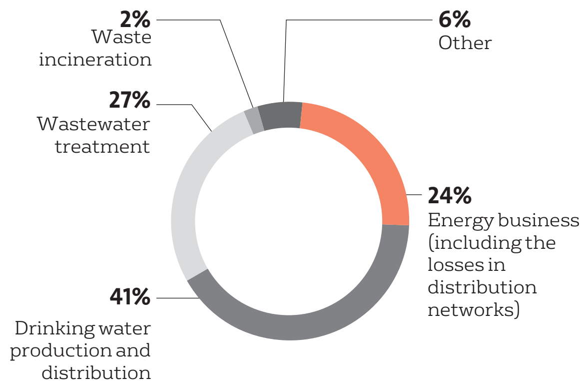
(2) GHG emissions from coal combustion were of 8.6 million metric tons CO_2 equivalent in 2019. Biogenic carbon emissions are primarily linked to the combustion of biomass for energy production and the biogenic portion of domestic waste and refused derived fuels incinerated.

GHG emissions change are mainly due to the evolution of the Group's activity scope.

Breakdown of scope 1 emissions by activity in 2019



Breakdown of scope 2 emissions by activity [2] **in 2019**



Veolia emissions (scopes 1 +2) fell by nearly 10% between 2018 and 2019.

(1) The GHG Protocol proposes several ways of consolidating GHG emissions. Veolia applies the approach which reflects its business as an operator: GHG emissions fully consolidated for the activities in the operational control scope, even if the assets are not fully owned by the Group.

(2) Pursuant to the GHG Protocol, emissions relating to heating and electricity purchased and distributed without transformation are accounted for in scope 3. Only the physical losses of heat and electricity distribution networks operated by Veolia are accounted for in scope 2.

The reduction in the Group's direct emissions (scope 1) is tied to the removal from the scope of district heating activities in the USA and the contract for biogas capture at a major landfill site in Asia; the increase in the share of biomass and gas in the energy mix in heat production in Eastern Europe and improved methane capture at a major landfill site in Asia also contributed to this decrease.

The main Scope 2 emissions are linked to drinking water production services and processing wastewater which requires the purchase of electricity for transport and water treatment. A significant portion of this business activity is in France, but also in countries where the energy mix is coal-heavy, such as China or the Czech Republic. In the energy business, only the physical losses of heat and electricity distribution networks operated by Veolia are accounted for in scope 2, in accordance with the GHG Protocol.

Scope 2 emissions increased slightly following the commissioning of seawater desalination plants and the development of "energy efficiency services for industry and buildings". Energy consumed by these services is included in the operating scope. This increase is partially offset by the removal from the scope of district heating activities in the USA.

Emissions relating to heating and electricity purchased and distributed without transformation are accounted for in scope 3 above, after deducting losses.

Scope 3 emissions

The Group also assesses greenhouse gas emissions and publishes the significiant sources scope 3 *i.e.* significant sources of emission or minor sources of emission where the Group's scope of action is significant.

Change in main scope 3 emission indicators

	2015	2016	2017	2018	2019
Share of scope 3 emissions linked to energy consumption [1] *(in million metric tons of CO_2 eq.)*	8.3	8.1	8.2	8.4	3.1
Emissions linked to purchases of heat and gas [2] for distribution via networks operated by the Group *(in million metric tons of CO_2 eq.)*	-	6.8	6.8	6.7	7.6
Emissions linked to purchases of products and services *(in million metric tons of CO_2 eq.)*	-	-	0.5	0.5	0.5
Business trips (air and rail) *(in million metric tons of CO_2 eq.)*	0.016	0.011	0.011	0.010	0.011
TOTAL	8.3	14.9	15.5	15.6	11.2

(1) Change in methodology in 2019, based on scope 3 electricity emission factors of each country and each energy source, multiplied by actual consumption.
(2) Scope 3 emissions linked to gas distribution activities are accounted for from 2019.

Emissions relating to purchases of products and services presented in the table above correspond to chemicals used in the production of drinking water and the treatment of wastewater [1]. Veolia is committed to a responsible purchasing strategy which contributes to reducing scope 3 emissions (see Section 6.3.3.3.3 below).

Digital development and digital sobriety

Veolia's digital strategy includes the digital sobriety approach aimed at reducing the information system's environmental impact, in the infrastructure, architecture, tools and usage sections.
Veolia has outsourced the management of its infrastructure: the data centers are now managed by suppliers committed to a carbon neutral approach. The computer pool used by Veolia users is being replaced by internet terminals. The carbon footprint of replacing the Group's IT pool and software suite at its headquarters enabled a 52% reduction in GHG emissions [2].
Several actions were conducted in 2019 to promote awareness of the impact of individual digital use, with the roll-out of an IS&T employee training program (corporate and BUs: managers, young employees and trainees). Veolia participates in the digital sobriety working group, alongside the Club Informatique des Grandes Entreprises Françaises (CIGREF) and the Shift Project.

6.2.3.3.2 Contribute to reducing and avoiding GHG emissions

Approach

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 wastewater).

(1) 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).

(2) Study conducted by 2EI Innove using the Carbon Footprint® method.

The measures implemented to reduce and prevent GHG emissions, for each business line, are as follows:

Business line/ Type of measure	Measures implemented
ENERGY BUSINESS **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 recovered 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.). • Rationalization 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.).

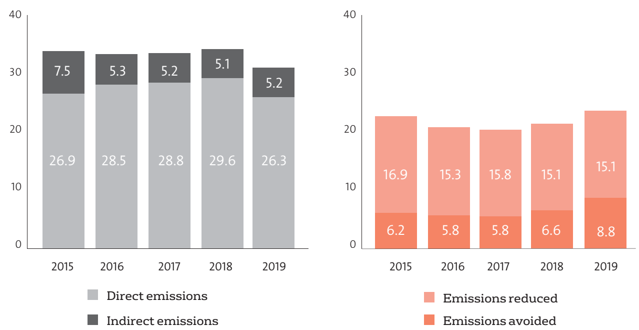
The Group has deployed an operational excellence approach, “Operators Priorities”, coordinated at corporate level for its main sites and contracts. These implement an annual action plan to improve operating performance (see Chapter 1, Section 1.2.2 above), in particular regarding energy efficiency, maintenance and optimizing reagent consumption, which contribute directly to reducing scope 1, 2 and 3 emissions.

The sustainable purchasing process, which aims to implement a TCO (Total Cost of Ownership) approach to assessing costs over the useful life of the equipment, such as pumps, also contributes to energy efficiency (see Section 6.3.3.3.3 below).

The Group offers its expertise to its customers to calculate and reduce their environmental footprint and particularly their carbon footprint, using the Veolia GreenPath tool (see Section 6.2.1.5 above). For each project, Veolia is able to assess avoided emissions in comparison to a reference scenario, whether in recycling materials or energy production from waste. The partnerships signed with SEB to recycle plastic from electrical household appliances, with Danone for water bottles or with Tetra-Pak for aluminum, plastic and cardboard from food cartons, contribute to the circular economy (see Section 6.2.2.3.1 above) and avoiding emissions.

Objectives and results

Change in GHG emissions *(million metric tons of CO_2 eq.)* (1)



Reduced emissions remain stable. In the absence of the contribution from district heating activities in the USA, this decrease is offset by increased recourse to renewable energies (biomass) for the production of energy in North America, Asia and Eastern Europe.

The increase in avoided emissions is tied to the alignment of emission factors with standards and improved materials recovery from waste and energy recovery from waste and biogas produced by wastewater treatment plant digesters.

(1) *In 2019, emission factors of avoided emissions from waste recycling activities have been updated, to comply with the GHG Protocol tool linked to the "Protocol for the quantification of GHG emissions for waste management activities" V5.*

Total emissions reduced and avoided since 2015

	2015	2016	2017	2018	2019	2020 objective
Total emissions reduced [1] since 2015 *(millions of metric tons of CO_2 eq)*	16.9	32	48	63.1	78.2 (√)	100
Total emissions avoided [2] since 2015 *(millions of metric tons of CO_2 eq)*	6.2	12	17.9	24.4	33.2 (√)	50

(1) Since 2016, Veolia has aligned its scope 2 calculation for Energy activities with the GHG protocol. The calculation reference scenario for emissions reduced was modified downwards.

(2) In 2019, Veolia updated the avoided emission factors associated with the GHG Protocol tool for the waste recovery sector, relating to the «Protocol for the quantification of greenhouse gases emissions from waste management activities - v5 - October 2013

Focus on a GHG reduction action: methane capture

In landfills, the decomposition of fermentable waste generates biogas which contains up to 40% to 60% methane: the Group's expertise in capturing and recovering this methane is an important factor in reducing greenhouse gas emissions.

Veolia has opted to take into account the actual impact of methane in its reporting. Calculated over 100 years, the global warming potential of this gas is 28 times higher than CO_2 (5th IPCC report). The Group's decision to use this figure increases its emissions linked to methane by 12% compared to many other countries and countries which still report based on the 4th IPCC report, when the global warming potential associated with methane was 25.

	2015	2016	2017	2018	2019	2020 objective
Methane capture rate from landfills pro forma 2015-2019 *(as a %)* [1]	64.9%	63.3%	60.2%	59.5%	60.7%(√)	≥ 60%

(1) Change in calculation method since 2018:The calculation scope for the "methane capture rate" indicator includes landfill sites included in Group reporting from 2013 to 2019. For the Group indicator calculation, the capture rate of each site is weighted by the methane volume produced by the site during the 2013 reference year.

The increase in the methane capture rate is tied to operating improvements in methane capture and treating leachates, particularly in Latin America, Australia and Asia. In prior years the decrease was due to the policy of closing landfills in the United Kingdom, the decline in methane capture at major landfills in China and France and work on motors at sites. The methane capture rate stabilized in 2018. As a result of the increase in the price for carbon credits, the new methane capture facilities managed by Veolia may become profitable in the medium term.

The captured methane recovery rate improved from 78% to 84.6% between 2015 and 2019, reflecting the Group's effort to recover the methane it captures rather than flaring it.

6.2.3.3.3 Save and preserve energy resources

Challenges

Veolia's actions to save and preserve energy resources are presented along two lines:

- energy production and distribution (see Section 6.2.3.3.3.1);
- energy management not linked to energy production and distribution (see Section 6.2.3.3.3.2).

Commitment

Saving and preserving energy resources is a major aspect of Veolia's contribution to combating climate change. In this area, the Group commits to:

- increase energy efficiency at the facilities which it operates;
- prioritize the use of renewable and recovered energies and support its customers in this transition;
- recover as much energy potential as possible from treated waste and wastewater.

6.2.3.3.3.1 Energy production and distribution

Energy production and distribution for the Group mainly covers:

- its Energy business through its heat production and distribution activities for urban district heating for industrial clients and tertiary activities, including combined production of heat and electricity (CHP);
- its Waste business *via* its incineration (recovery of heat produced by waste combustion) and storage (recovery of heat, electricity or biogas from methane produced *via* waste fermentation) activities.

Change in primary energy consumption linked to the production of energy for sale

	2015	2016	2017	2018	2019	Business contribution *(as a %)* Water	Waste	Energy
Energy consumption [(1)] *(millions of MWh)*	108.1	96.6	97.1	99.0	93.3(√)	0%	36%	64%
Renewable or recovered energy consumption [(2)] *(millions of MWh)*	36.0	36.8	37.3	39.7	43.2	0%	71%	29%
Share of consumed renewable or recovered energies *(as a %)*	33.3%	38.1%	38.5%	40.1%	46.3%	-	-	-
Renewable energy consumption *(millions of MWh)*	20.9	20.8	21.0	22.5	26.0	0%	55%	45%

(1) Since 2016, if Veolia purchases heat for distribution via a heating network, this heat is not taken into consideration in Group consumption related to production. The same applies for electricity distribution activities without production.
(2) Recovered energies are natural or industrial sources of energy which are lost if they are not recovered immediately. Renewable energies are energies which can be renewed or regenerated indefinitely and endlessly. Energy recovered from domestic waste incinerators is considered 50% renewable and 50% recovered. Energy recovered from refuse derived fuels is considered 30% renewable and 70% recovered.

Change in production of energy for sale

	2015	2016	2017	2018	2019	Business contribution *(as a %)* Water	Waste	Energy
Energy production (thermal and electrical) *(millions of MWh)*	62.6	53.8	54.4	56.0	51.6 (√)	1%	18%	81%
• Of which thermal energy production *(millions of MWh)*	45.0	37.2	37.3	39.6	35.8	1%	10%	89%
Renewable or recovered energy production *(millions of MWh)*	16.1	16.3	16.3	17.5	18.6 (√)	4%	50%	46%
Share of renewable or recovered energies *(as a %)*	26%	30.3%	30%	31.3%	36.0%	-	-	-
Renewable energy production *(millions of MWh)*	11.7	11.5	11.5	12.4	13.6 (√)	5%	37%	58%

Change in renewable and alternative energy production

	2015	2016	2017	2018	2019	2019 objective
Renewable or recovered energy production *(millions of MWh)*	16.1	16.3	16.3	17.5	18.6 (√)	-
Change compared to 2015	-	+1.2%	+1.2%	+8.7%	+15.7%	+5%

As part of its 2016-2019 Environmental Plan, Veolia set a target of increasing renewable and recovered energy production by 5% compared to 2015 in all its activities. The 2020-2023 Environmental Plan raises this objective to +15% compared to 2019.

Veolia's district heating activity in North America was sold in 2019, with the consequence of a decrease in energy production. This decrease was somehow compensated by the commissioning on biomass energy plants in the USA and China. Biomass is also burned in energy plants in Hungary, Poland and Spain: renewable energy consumption counts now for more than 25% of the Group's energy MIX for energy production (of which 70% is thermal energy production).

Veolia also has different objectives based on the specific features of its businesses, as stated below.

Energy business: energy efficiency and diversification of the energy mix

Veolia manages energy at over 45,097 energy facilities worldwide. GHG emissions linked to the Group's Energy business represent 49% of scope 1 and 24% of scope 2 emissions.

Energy performance indicators (Energy business): heat and electricity production and distribution

	2015	2016	2017	2018	2019	2019 objective	2023 objective
CO_2 emissions per MWh of heat and electricity sold [(1)] *(Kg CO_2/MWh)*	359	382	372	356	343	↓	-
Primary energy savings [(2)] *(in GWh)* linked to cogeneration at heat production and distribution facilities exceeding 100 GWh/year	5,337	6,144	5,873	6,416	6,706	-	-
Energy performance *(as a %)* of heat networks exceeding 100 GWh/year	84%	85%	87%	87%	87%	≥ 85%	-
Share of biomass in the energy consumption of energy production plants *(as a %)*	8%	9%	9%	12%	19%	≥ 10%	24%
Traceability of biomass (wood) for energy production *(as a %)* [(2)]	91%	89%	86%	90%	94%	-	≥ 98%
Biomass (wood) certification *(as a %)*	49%	53%	57%	69%	66%	-	≥ 80%

(1) Thermal and cogeneration plants.
(2) Indicator taken from the EC Directive 2004/8/EC on the promotion of cogeneration.

Optimization of the Group's thermal equipment energy performance is based on the quality of their operation and maintenance, as well as their modernization.

As part of its heat production contracts, Veolia specializes in operating CHP facilities. These facilities help improve energy performance, by adding the simultaneous production of electricity. The average age of facilities managed by the Group (or the last major refurbishment) was seven years in 2018: this recent infrastructure is equipped with the best available technologies to limit pollution and improve production performance. Primary energy savings (in GWh) are tied to changes in the portfolio of CHP facilities operated by the Group.

Downstream from the public authority heat production facilities, Veolia operates district heating networks: by focusing production at a single site, energy performance is optimized compared with domestic sources. Veolia has improved the performance of district heating networks through significant investment. The Group has now set an objective to maintain this performance above 85%.

It is also Veolia policy to diversify its energy mix towards renewable energies.

With the increase in the share of biomass in the fuel mix for energy production (from 8% in 2015 to 19% in 2019), Veolia has decided to include biomass energy traceability and certification objectives in its 2020-2023 environment plan. These ambitious objectives mainly concern non-European Union countries.

Energy performance indicators (Energy business): energy services for buildings and industrial clients

	2015	2016	2017	2018	2019	2019 objective
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	15,030	56,040	10,000

For its energy services for buildings and industrial clients, Veolia has deployed performance management centers in all its zones: data analysts and systems engineers ensure the optimum management of managed facilities consumption, *e.g.* In its subsidiary ENOVA in the United Arab Emirates. The increase in 2019 is due to the improved reliability of reporting by this entity and the inclusion of EPC contracts [(1)].

Veolia has developed its **energy flexibility** offer: in 2019, the Group acquired Actility's energy business. It notably intends to apply load shedding, which consists in deferring the energy consumption of facilities to reduce peaks and stabilize electricity distribution networks.

Waste business: develop energy recovery

The Group develops energy recovery from waste at sites such as incinerators producing heat, landfills and anaerobic digestion units producing biogas. The energy produced is used on-site, reducing recourse to other energy sources and sold to third parties. Moreover, the recovery and recycling of refused derived fuels (RDF) helps reduce customers' primary energy requirements.

(1) Engineering, Procurement and Construction contracts.

Energy performance indicators, *pro forma* 2015-2019 (Waste business)

	2015	2016	2017	2018	2019	2019 objective
Energy production by municipal waste incinerators *(kWh/metric ton of incinerated waste)*	731	740	760	761	758	↑
Captured methane recovery rate from landfills *(as a %)*	78.1%	81.1%	83.6%	84.4%	84.6%	↑

6.2.3.3.3.2 Energy consumption for processes (excluding energy production and distribution)

The consumption presented in this section corresponds to consumption not presented in the previous section:

- Water business consumption, not linked to the production of energy for sale;
- Waste business consumption, not linked to the production of energy for sale;
- Energy business consumption, not linked to the production and distribution of energy or energy services for buildings and industrial clients.

Change in energy consumption (excluding energy production and distribution activity)

	2015	2016	2017	2018	2019	Business contribution *(as a %)* Water	Waste	Energy
Energy consumption *(millions of MWh)*	14.6	15.9	15.6	15.7	16.4(√)	59%	40%	1%
• Of which thermal energy consumption *(millions of MWh)*	6.1	6.1	6.3	6.3	6.4	26%	72%	3%
• Of which electrical energy consumption *(millions of MWh)*	8.5	9.8	9.4	9.3	10.0	80%	19%	1%
Renewable and recovered energy consumption *(millions of MWh)*	6.2	5.9	6.0	6.0	6.1	17%	83%	0%
Renewable energy consumption *(millions of MWh)*	5.8	5.4	5.5	5.5	5.6	18%	82%	0%

Water business: optimize electricity consumption and target self-sufficiency

Drinking water production and distribution activities, as well as wastewater systems (collecting and treating wastewater) represent 68% of the Group's scope 2 emissions (see Section 6.2.3.3.1 above). Veolia develops its know-how in order to reach or get close to energy self-sufficiency for wastewater treatment. The theoretical energy contained in wastewater is two to five times greater than the energy needed to treat it.

The Group aims to minimize consumption at the facilities it operates (water and wastewater systems, networks and factories) through listing best practices and efficient technological choices, the development of diagnostic tools and the implementation of energy audits or certifications - the Veolia Eau France management system is ISO 5001: 2011 certified. The equipment renewal policy also aims to optimize energy consumption.

Similarly, in order to find the optimum wastewater sludge treatment solution (see Recover waste, Section 6.2.2.3.3 above), Veolia studies and evaluates energy recovery options (anaerobic digestion, incineration or co-incineration with energy recovery, etc.) and seeks to optimize the energy efficiency of its treatment processes. Furthermore, wherever technically possible and economically appealing for its customer, Veolia reinforces energy production *via* renewable electricity production equipment: solar panels, wind power, etc. It works to evaluate recoverable energy by placing turbines at the output of treatment plants, like in Brussels (Belgium).

An increasing number of wastewater treatment plants offer examples of energy efficiency. In Germany, Veolia has launched an energy saving and biogas energy production initiative at all facilities equipped with a sludge digester. Three treatment plants (Braunschweig, Görlitz and Schönebeck, *i.e.* approximately 520,000 population equivalent) are energy self-sufficient.

Energy performance indicators, *pro forma* 2015-2019 (Water business)

	2015	2016	2017	2018	2019	2019 objective	2023 objective
Electricity consumed for drinking water production *(Wh/m³)* by factories exceeding 60,000 m³/day [(1)]	267	262	229	233	238	≤ 260	< 250
Electricity consumed for wastewater treatment *(Wh/m3)* by treatment stations with population capacity equivalent greater than 100,000	350	340	346	341	349	≤ 348	< 335
Recovery rate for biogas produced by sludge anaerobic digestion *(as a %)* by treatment stations with population capacity equivalent greater than 100,000	76%	78%	75%	73%	75%	↑	↑

(1) Seawater desalination plants are excluded from the scope.

Waste Business: improve energy efficiency and develop recovery

The main sources of energy consumption are waste collection (fuel consumption representing 2% of the Group's scope 1 emissions) and incineration (electricity consumption representing 2% of the Group's scope 2 emissions and energy from waste recovery used on-site)(see Section 6.2.2.3.3 above). Veolia works to limit emissions by managing its vehicle fleet and optimizing collection routes. Veolia also optimizes primary energy consumption at its waste incinerators.

Energy performance indicators, *pro forma* 2015-2019 (Waste business)

	2015	2016	2017	2018	2019	2019 objective	2023 objective
CO_2 emissions linked to waste collection *(kg of CO_2/km)*	1.4	1.4	1.3	1.3	1.3	↓	< 1.4
CO_2 emissions by quantity of energy produced by waste incinerators, excluding waste carbon content *(kg of CO_2/km)*	23.1	23.5	22.4	21.5	22.4	↓	↓

6.2.4 PROTECT AND RESTORE BIODIVERSITY

6.2.4.1 Risks and opportunities

By their very nature, Veolia activities contribute to protecting biodiversity. Through its water, waste and energy management businesses, the Group directly interacts with natural environments. The collection and treatment of wastewater and waste reduces the pollution of soil, air, and bodies of water by urban and industrial pollution. The development of centralized and strictly regulated urban heating networks that are continuously monitored, and the use of biomass processes help to reduce the environmental impact in comparison to more polluting systems.

However, Group activities can have direct or indirect environmental impacts which contribute to a loss of biodiversity, due to the consumption of natural resources, residual pollution contained in operating emissions and discharges, greenhouse gas emissions, cut-off effects which sites can create in their surroundings (fence, etc.), the land footprint of sites (destruction or improper management of surroundings), the potential use of exotic invasive species during site development and the creation of surroundings favorable to their development (see Sections 5.2.2.1 below).

Veolia has analyzed the dependence of each of its business activities on ecosystem services:

- the production of drinking water is directly tied to a properly functioning water cycle: precipitation, plus storage capacity in catchment areas, ensure that the resource is available. Leveraging the benefit of ecosystems in regulating the quality of water (auto-treatment) helps to maintain good quality water resources used for drinking water production and therefore limit the amount of treatment needed to ensure water is fit for consumption;
- wastewater treatment activities are dependent on ecological factors: microbial activity, and the ability of aquatic environments to assimilate residual water content, are critical to wastewater treatment;
- for energy, biomass operations require a sustainable supply of wood energy;
- waste storage, composting and soil remediation all rely on the structure and nature of the soil, as well as biological processes to break down organic material.

The Group responds to challenges linked to the protection and restoration of biodiversity through specific offers, notably: decontamination activities or biodiversity protection and restoration solutions.

6.2.4.2 Policy and commitments

As part of its sustainable development commitments (see Section 6.1.1 above), Veolia made the following commitment:

Commitment 3	2020 objective	Sponsor
Protect and restore biodiversity	• Carry out a diagnosis and deploy an action plan at 100% of sites with significant biodiversity issues	Mr. Philippe Guitard, Member of the Executive Committee Senior Executive Vice-President, Central and Eastern Europe

Pursuant to the French legal system, the Group endeavors to implement 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*) launched in France, and which Veolia signed in May 2011. In 2015, the Group committed to a 2015-2018 action plan covering its world scope. This plan was officially recognized by the French Ministry for Ecological and Inclusive Transition.

This commitment can be split into three parts:

- Aspect 1: Better take into account biodiversity issues locally and contribute to the design of innovative solutions inspired by nature;
- Aspect 2: Deploy ecological management actions at our sites and for our customers;
- Aspect 3: Raise awareness, involve more people both internally and externally and promote initiatives put in place in collaboration with local players;

In 2018, Veolia Environnement committed to the Act4Nature initiative, launched by the French association EPE (*Entreprises Pour l'Environnement*), and supported by other public, private and NGO partners. http://www.act4nature.com/

As part of this, its Chairman and Chief Executive Officer signed collective agreements along with 64 other companies and made individual commitments for Veolia.

In accordance with one of the commitments under the Act4Nature initiative (renamed Act4Nature International), Veolia will include its biodiversity commitment in the new Act4Nature France system (previously known as the National Biodiversity Strategy) launched at the end of 2019 by the Ministry for Ecological and Inclusive Transition.

In 2019, as part of its Purposes, Veolia defined a new biodiversity objective for 2023: 75% progress rate of action plan improving the footprint of environments and biodiversity on sensitive sites.

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 main 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.

6.2.4.3 Actions and results

In its now complete 2015-2018 action plan, the Group focused on changing its business and practices in terms of ecological management by initiating a change in culture, both internally and externally. This transition led to the inclusion of biodiversity in its offerings, services and management methods and working closely with its customers, sub-contractors and other partners (associations, scientists, etc.). The production and sharing of tools with stakeholders also contributed to promoting biodiversity internally and within their organizations.

Progress with the commitments given in 2018 under the Act4Nature initiative is presented in the appendices (see Section 8.10.1 below). The main achievements are described below.

Better take into account biodiversity issues locally and contribute to the design of innovative solutions inspired by nature

Veolia seeks to further its understanding of biodiversity to better integrate it into its services. The Group has therefore analyzed the impacts and dependencies of each of its businesses, but also the benefits of services provided by nature (see Section 6.2.4.1 above). The results of these analyses guide the Group's research projects and the design of innovative solutions (bioindicators to measure impacts, green infrastructures, etc.).

In 2019:

- Veolia refined its methodology for identifying sites with the most significant biodiversity issues, in partnership with IUCN and other stakeholders: the methodology now includes criteria on major process and business impacts.
- Veolia continued the work undertaken since 2016 with the Natural History Museum on biodiversity and ecosystem health indicators. An initial phase was completed in 2019.
- Veolia participated in the work of CDC Biodiversity on the implementation of a biodiversity indicator (Global Biodiversity Score). The Group is also developing its own footprint tool adapted to its businesses (since 2019).

Deploy initiatives for the ecological development and management of sites

Veolia manages impacts linked to discharges and withdrawals in the natural environment of sites it operates. By improving its environmental performance, directly in line with its operational performance, Veolia reduces its impacts on receiving environments, particularly air and water, and therefore biodiversity (see Sections 6.2.2 and 6.2.3 above).

In addition, Veolia manages and develops areas, notably 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. Veolia conducts biodiversity diagnoses with the mandatory involvement of ecologists, but also allows site managers to act independently (ecological management guide, footprint calculator for the management of green areas, green area charter, etc.).

As part of its sustainable development commitment (see Section 6.1 above), Protect 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 in the Group's reporting tool, to identify sites with significant biodiversity issues:

- ecological context. This is defined according to the presence of protected species or natural habitats, the type of environment on which the site is located or 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 bases its data on information extracted from the IBAT database (Integrated Biodiversity Assessment Tool developed by Birdlife International, Conservation International, the IUCN and the United Nations Environment Program) to carry out this work involving geo-located site data;
- the ecological potential. This 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.

Deployment of initiatives for the ecological development and management of sites

	2015	2016	2017	2018	2019	2020 objective
Percentage of sites with significant biodiversity issues that have carried out a diagnosis and deployed an action plan (pro forma 2015-2019)	33%	42%	55%	60%	71%	100%
Number of sites (with or without significant biodiversity issues) that have carried out a diagnosis and deployed an action plan	135	155	197	215	347	/
Number of sites that have introduced ecological management and/or development	141	155	161	181	230	/

Several tools, integrated into the GreenPath environmental footprint tool (see Section 6.2.1 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 issues. The method 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, 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;
- EcoLogiCal, a tool designed in partnership with the Noé association and with the participation of IUCN France and Ecocert Environnement. Through an online self-assessment covering 5 major themes (flora, fauna, water, waste, lighting), it allows you to compare the economic and ecological footprints of the traditional management of green spaces with environmentally-friendly practices. EcoLogiCal is aimed at all site managers. It is free, public and can be accessed online: https://eco-logical.fr;
- the green spaces charter aims to support the transition of green spaces towards more ecological practices. Made up of mutual

commitments by Veolia sites and landscaping professionals responsible for managing their green spaces, it also includes a management method assessment tool.

Under the 2020-2023 Environmental Plan, Veolia gave a number of commitments:

- zero use of phytosanitary products (to manage site green spaces) at 75% of sites [(1)];
- implementation of ecological management at 75% of sites [(1)] with more than 1 hectare of green spaces.

Raise awareness, involve more people both internally and externally and promote initiatives put in place in collaboration with local players

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 NBS, creation of operational tools, etc.).

The Group actively participates in think tanks with the IUCN, and the French associations, *Entreprises pour l'Environnement* (EPE) and *Orée*.

In 2018, the Chairman of the French Natural History Museum (MNHN) and the Chairman and Chief Executive Officer of Veolia signed a 5-year framework agreement. Objective: to expand and reinforce the current collaboration between MNHN and the Group, in order to improve the consistency and visibility of actions already in place around four areas: research, expertise, distributing knowledge and training.

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.

In 2019:

- a tool to raise biodiversity awareness was developed for Group employees
- a portfolio of biodiversity offers was developed aimed at sales teams, to facilitate the presentation of solutions to Group customers.

Deployment of local partnerships

	2015	2016	2017	2018	2019
Number of sites that have forged a partnership with a local conservation association	62	47	51	60	83

Under the 2020-2023 Environmental Plan, Veolia gave the following commitment: 50% of sites [(1)] having raised awareness internally or externally on the issues of protecting natural environments and biodiversity.

(1) *Reporting scope: Waste business (all sites); Water business (wastewater treatment plants with a population equivalent capacity of over 100,000 and drinking water plants of over 60,000 m³/day); Energy business (energy production facilities selling over 100 GWh/year).*

6.3 Social performance: impact on society

6.3.1 COMMITMENTS AND ORGANIZATION

Social responsibility is expressed and assessed through three Veolia commitments to regional sustainable development (see Section 6.1 above):

- commitment 4: Build new models for relations and value creation with our stakeholders (see 6.3.2 below);
- commitment 5: Contribute to local development and appeal (see 6.3.3 below);
- commitment 6: Supply and maintain services crucial to health and development (see 6.3.4 below).

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) or the Foundation, whose priority areas are (i) development assistance and humanitarian emergencies, (ii) support for transition to work and social cohesion, and (iii) environmental and biodiversity protection. The Foundation's projects involve the Group's employees, as sponsors of supported projects (financial sponsorship), or Veoliaforce network volunteers (skills sponsorship through work in the field). In 2019, Veolia Foundation provided financial support to 39 new projects or action plans of €2.170 million;
- the Veolia Institute (www.institut.veolia.org), a non-profit organization created in 2001 by Veolia Environnement, looks to the future and considers challenges relating to both the environment and society. A platform for exchanges and debates, its mission is to offer different perspectives for a brighter future. Over the years, the Veolia Institute has established a leading international network, formed of academics and scientific experts, universities and research organizations, public authorities, NGOs, and international organizations. The Veolia Institute is active *via* its publications and top conferences, its forward-looking discussion groups and its international network. Recognized as a legitimate platform for global issues, the Veolia Institute was admitted as an "NGO Observer" by the United Nations Framework Convention on Climate Change (UNFCCC).

Firmly anchored in local regions, Veolia works with each local player to improve access to all its essential services, living and health conditions, jobs and training, integration, economic development, and the relation between industry and municipal authorities.

6.3.2 BUILD NEW MODELS FOR RELATIONS AND VALUE CREATION WITH OUR STAKEHOLDERS

6.3.2.1 Risks and opportunities

Competition and rapid developments in markets in which Veolia operates, associated with its multiple geographic locations require monitoring, close dialogue and continual collaboration with all stakeholders, whether local, national or international (see section 5.2.2.1 above).

The need for a close relationship with public authorities, civil society, international organizations, multi-stakeholder platforms, local communities and consumers creates an opportunity for the Group to ascertain their expectations, establish itself locally in the long-term and jointly create innovative solutions with different partners.

6.3.2.2 Policy and commitments

Veolia builds on the increased power of civil society players (NGOs, social entrepreneurs, consumer associations, charities, universities, etc.) and supports a dialogue with all its stakeholders. The Group is remodeling its governance and reconsidering its growth based on innovative models creating shared economic, social and environmental value.

Commitment 4	2020 Objectives	Sponsor
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 identified as a priority (1)	Mr Olivier Brousse Member of the Executive Committee Director of Strategy and Innovation

(1) Seven growth segments identified as a priority (petrol & gas, mines & metals, food production, dismantling, circular economy, complex contamination, innovative models for cities).

This commitment is based around two complementary lines:

- developing relations with all stakeholders in its ecosystem (see Sections 6.3.2.3.1 and 6.3.2.3.2 below);
- building new shared value creation models with our customers and regional partners (see Section 6.3.2.3.3 below).

It is based on regular Group exchanges, and particularly between governing bodies and their stakeholders (associations, international organizations, universities, unions, etc.) *via* various discussion groups: the Critical Friends Committee (see box below), meetings with high level experts, working groups, conferences, international events. The Group has an internal methodology guide “Understanding, discussing and taking action with our local stakeholders”, which allows operational teams and sustainable development officers to implement an effective dialogue.

Veolia implements support measures for the socio-economic development of areas where it operates (see Section 6.3.3 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 dialogue with its employees contributes to improving local working conditions, particularly in emerging countries, and encourages the creation of employee dialogue forums (see Section 6.4.5 below).

Critical Friends Committee

Created in 2013, the Veolia Critical Friends Committee is made up of around fifteen independent people, experts in social, societal and environmental issues, from institutions, the academic community and non-profit organizations, company partners (suppliers, customers) and a representative of young climate activists. It is an opportunity for a group discussion which aims to provide Veolia with an external viewpoint on strategic topics in relation to its corporate responsibility, in order to foster and support the Group’s initiative to make continuous progress. The Committee helped to create the Group’s Purpose. In 2019, the Committee met twice to tackle topics such as Veolia’s Purpose and its multifaceted performance indicators dashboard, ethics and the due diligence plan.
Committees inspired by this model were created in China and Japan to discuss Veolia’s strategic direction with experts in these countries.

6.3.2.3 Actions and results

6.3.2.3.1 Take account of global expectations

Dialogue with representatives of civil society and the academic world

The Veolia Institute: looking to the future

The Veolia Institute looks to the future and considers challenges relating to both the environment and society. It develops its activities through ongoing dialogue in scientific and intellectual circles and with practitioners that lead their field in the areas concerned. Through **conferences**, a **review** (Institute Review - FACTS reports) and **forward-looking working groups**, the Veolia Institute brings together and circulates the experience and expertise of different players (researchers, academic experts, public powers, companies, NGOs, international organizations, etc.) to gain different viewpoints on its working themes:

- in line with the work by its forward-looking Committee on plastic pollution in the oceans, in March 2019 the Veolia Institute published a review on “**Reinventing plastics**”. Its objective is to understand how this material has gained a central position in our consumer society, its benefits and drawbacks, notably its environmental impact, and how to develop a plastics circular economy, both in developed and developing countries. The review contains academic contributions (CNRS and the Ecole Polytechnique), views by NGOs (WWF and the Tara Expéditions Foundation) and public players (European Commission), as well as case studies by major groups (Danone, Veolia) and social businesses (Yoyo, Kabadidwala Connect);

- in October 2019 the Veolia Institute published a review entitled "**Urban agriculture: another way to feed cities**" in order to understand the challenges which different urban farming models can tackle, to study renewed ties between the city and nature at urban and suburban level, and to identify the conditions to scale up these initiatives. Amongst others, contributions by FAO, INRA and Cirad researchers, as well as the wholesaler METRO, 2EI (a Veolia subsidiary), the Agricool and Infarm start-ups and the architectural firm Bechu&Associés helped underline the diversity of the challenges posed by this topic.

To promote its publications when they are released and moving forward, and to continue to support and enrich the discussions, the Veolia Institute organizes **conference debates** with review contributors and other experts. The reviews published this year each led to two conference debates. The first was held to launch the publication at Veolia's headquarters (Aubervilliers). The second was organized in partnership with the Groupe SOS social innovation platform "Mouvement UP", and helped the Institute to promote its work with a younger and broader audience.

Thanks to the international reputation of its members and their expertise, the **Forward-Looking Committee** guides the activities and development of the Veolia Institute during its annual meeting. In 2019, the Committee looked further into **urban farming**, the reality of initiatives led by associations, companies and public authorities, as well as their challenges and development prospects. Whilst the economic model still needs to be developed, the Committee confirmed the strong potential of urban farming as a source of social cohesion and positive external factors for the city and its people.

Remarkable partnerships

At the end of the conference celebrating 20 years of the QualiAgro research program, Veolia, **INRA and Irstea** signed a framework agreement in November 2018 to continue to collaborate on sustainable farming for five years. This program aims to develop solutions to use organic urban waste (biowaste, green waste and wastewater sludge) as farming fertilizer. The agreement should help the program move onto a large-scale experiment stage.

Other examples highlight partnerships based on the creation of shared value between Veolia and the academic world (*e.g.* The Society & Organizations Center within **HEC** Paris, Antropia and **ESSEC**'s Institute for Innovation and Social Entrepreneurship) with civil society and the private sector (*e.g.* the **"Entreprise et pauvreté" action tank**, joined by Veolia 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 dialogue.

Dialogue with international organizations

As a partner to international organizations, Veolia continues to cooperate with the main UN agencies, bilateral organizations and international donor agencies to give effect to the commitments made when it joined the **United Nations Global Compact** in June 2003, and to contribute to the achievement of sustainable development goals. The Group is one of the businesses that have obtained the "Advanced" level differentiation for its Global Compact Communication on Progress.

Since 2017, Veolia has participated in the High Level Political Forum organized by the **United Nations**, which aims to take stock of implementation of the 2030 Agenda at a global level. In 2019, five objectives were studied in depth: SDG 4 (Quality Education) - SDG 8 (Decent Work and Economic Growth) - SDG 10 (Reducing Inequalities) - SDG 13 (Climate Action) - SDG 16 (Peace, Justice and Strong Institutions) and SDG 17 (Partnerships for the Goals) which is reviewed each year. Veolia took part in a World Business Council for Sustainable Development (WBCSD) event to present the inclusion of SDGs in its strategy through its Purpose.

Veolia actively contributes to international debates on climate during the climate Conference of Parties (**COP**).

Veolia is a member of the Business for Inclusive Growth (B4IG) coalition.

Launched during the G7 Summit in Biarritz in August 2019, the Business for Inclusive Growth (B4IG) initiative is a coalition of 40 major international companies coordinated by the OECD and led by Danone. B4IG members undertake to combat inequality and promote inclusive growth, *i.e.* economic growth spread fairly across society and providing opportunities for all.
As a member, Veolia was invited to the Paris Peace Forum to present its social open innovation program, Pop Up, in the presence of the President of France, Emmanuel Macron, and Antoine Frérot.

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 the **WBCSD**, **Comité21**, **Vivapolis – Institute for sustainable cities**, the **French Partnership for Water (PFE)**, and **competitiveness clusters** (Efficacity, Montpellier Water cluster, Brittany-Atlantic Maritime cluster in Brest and the Mediterranean Maritime cluster in Toulon).

Sweden: World Water Week in Stockholm.

The World Water Week in Stockholm brings together governments, business and civil society each year to collectively build more inclusive societies. The 2019 edition was on the theme of "Water for society - Including all": a lack of drinking water, suitable toilet facilities, pollution, drought and extreme weather events, etc. Veolia took part in debates and presented several solutions to allow access to water and sanitation for all.

Dialogue with international, European and national authorities

Representation of Veolia's interests and contributions during the discussions, consultations and work relating to changes in management of environmental services, carried out with international, European and national authorities, are discussed in Section 6.5.5.3.

6.3.2.3.2 Take account of local expectations

Dialogue with local stakeholders involves, in particular:

- 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 customer satisfaction surveys to assess service progress and the benefits enjoyed by users and to better understand their expectations and reasons for dissatisfaction;
- promoting new solutions to public authority clients (innovation booklet, innovation meetings, participation in sustainable city events, dedicated website);
- taking into account the informal sector.

Developing 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** 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 6.3.4.3.2 below).

Syndicat des eaux d'Ile-de-France (Sedif), the largest public water service in France, and Veolia Eau d'île-de-France, its representative, developed a digital system to provide users with real-time information in the event of water outages due to leaks in the drinking water network.

Colombia: the Veolia *En tu barrio* program.

The national dialogue, mediation and local information program *En tu barrio* was developed in 40 Colombian cities where Veolia provides water, sanitation or waste management services. Mobile customer service points help respond to expectations and needs as close as possible to local people. Education and fun events in local districts are organized to raise residents' awareness of their rights and duties in terms of public services, but also sustainable development issues. At the end of 2019, nearly 30,000 service users benefited from these local activities.

Veolia also contributes to digital inclusivity by offering its users and consumers digital solutions which reflect social realities (see Section 6.3.3.3.1 below).

Dialogue with local communities

Veolia implements initiatives to foster dialogue 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, and volunteering.

Veolia is committed to these communities through regional socio-economic diagnoses, the implementation of community links and the provision of methodological tools to organize dialogue with stakeholders at a regional level.

In **India**, community outreach teams called the Social Welfare Team form a link between local people and the technical and customer services of local Group entities.

In **Bangladesh**, the Grameen Ladies mediate with local people (http://www. grameenveoliawaterltd.com/).

Niger: L'Oasis, a unique place for dialogue and female entrepreneurship.

Faced with environmental challenges and the huge challenge of tackling poverty – an issue which primarily affects women in Niger – Veolia and Empow'Her, an international organization supporting female entrepreneurship, co-created L'Oasis in **Niamey**. This unique organization supports the economic integration of women, and raises awareness of sustainable development challenges. Training, leadership reinforcement and network development programs are aimed at female entrepreneurs. Meeting and discussion spaces support dialogue between the local population, non-profits, institutions and businesses.

Volunteering initiatives led by Veolia employees in close collaboration with local organizations and populations, and supporting social or environmental causes, are an important means to implement a dialogue approach adapted to specific local contexts. In 2019, nearly 10,000 days of volunteering were reported by Veolia employees.

Thanks to Foundation activities, which are performed as close as possible to local populations and in partnership with local organizations, Veolia supports different social and professional integration initiatives (see Section 6.3.3.3.2 below) as well as development assistance projects (see Section 6.3.4.3.3 below).

Educating and raising awareness of sustainable development

Various sustainable development education programs and awareness campaigns through open days at facilities are conducted in our operating countries. These help explain sustainable development challenges, supporting dialogue with local communities.

In **Hong Kong**, Veolia has built and managed one of the largest and most advanced sludge treatment facilities in the world. Known as T-PARK, the installation, which is 100% water and power self-sufficient, combines cutting-edge technologies and environmental living. With a gallery for visitors, a conference room, an observation platform and large green spaces, the installation adds an awareness and public education aspect to sustainable development. In 2019, the factory welcomed more than 65,000 people.

The annual open day organized by Veolia North America at the Jones Island wastewater recycling plant, a district in **Milwaukee**, Wisconsin, welcomed 1,721 visitors, making it one of the biggest events of this type in the site's history. Volunteers from the Milwaukee Metropolitan Sewerage District and 82 Veolia employees offered guided tours of the plant facilities and exhibitions on the impact of plastic waste or the role of microorganisms in wastewater treatment.

In **Latin and Central America** (Ecuador, Colombia, Mexico, Brazil, Argentina, Chile and Peru), Veolia is a historic partner of the Organization of Ibero-American States for the environmental education program "Aldredeor de Iberoamérica". Each year over 20,000 children benefit from the program.

Morocco: The "Clean beaches" operation.

By taking part in the "clean beaches" operation each year, organized by the Mohammed VI Foundation for Environmental Protection, Veolia confirms its determined action to protect beaches in **Morocco**. In partnership with local organizations, educational programs raise children's awareness of ecosystem protection and respecting the environment.

In total, Veolia's educational programs and open days helped raise the awareness of over 550,000 people, including nearly 122,000 children, of sustainable development and environmental issues.

Taking account of the informal sector

The informal sector covers significant social and environmental challenges and can, in some countries, represent a crucial challenge for Veolia's activity. The Group develops programs to integrate and make more effective the existing informal collection networks, notably through the use of digital technologies, and thereby offer solutions tailored to local issues.

Created by Veolia as part of a partnership with the BTP PFO Africa group, and subject to an experiment in Abidjan, **Côte d'Ivoire**, the AfricWaste initiative intends to rely on the informal economy, a key part of the recycling industry in Côte d'Ivoire, to organize a plastic waste collection and recovery sector, starting with PET bottles. A smartphone application was launched to connect the user and collector. The objective is to create a collection, sorting and recycling sector with local partner companies in the social and solidarity economy.

As part of the social open innovation approach "Pop Up by Veolia" (see section 6.3.3.3.1 below), Veolia selected the Hasiru Dala Innovations Private Limited social company in **India**. This organization works to create livelihoods for informal waste collectors through inclusive companies in Bangalore and the surrounding areas. Veolia has linked up with Hasiru Dala to create training modules through an interactive approach, aiming to improve safety standards and working conditions of waste collectors.

Colombia: the "Recuperador Amigo" program.

This program which started in Manizales is a cooperation model with informal waste collectors. It relies on collaboration with multiple parties (government, civil society, business) in order to include informal collectors in an organized waste collection, sale and recycling circuit. This model helps improve recyclers' quality of life, while increasing the volume of waste recycled. This model has been copied four times in Pasto, Cartagena, Palmira and Buga, representing a total of 400 collectors.

6.3.2.3.3 Build new shared value creation models with our customers and partners

Together with its customer and partners, the Group creates new business models based on sharing value created (financial or social), innovation and complimentary expertise.

Veolia has defined qualification criteria for a "major partnership based on creating shared value":

- a formalized collaboration in an established contract framework, with one or several stakeholders (signing of a "Memorandum of Understanding", a contract, creation of a joint venture, etc.);
- a commitment over time: the desire to collaborate long-term;
- the co-creation of innovative solutions which allow Veolia to supplement its expertise alongside its traditional business activities;
- shared value (economic, social, environmental) created between partners;
- a significant scope: global (covering several zones), regional or country-based partnership with the potential to be replicated elsewhere.

As part of its sustainable development commitments (see Section 6.1 above), Build new models for relations and value creation with our stakeholders, Veolia has set the objective to have formed at least one partnership of this type in each of its activity zones by 2020, to cover the seven priority growth segments (petrol & gas, mines & metals, food production, dismantling, circular economy, complex contamination and innovative models for cities).

In 2019, the objective is within reach, with 11 activity zones and 6 of 7 growth segments covered.

	2016	2017	2018	2019	2020 objective
Coverage rate of Veolia activity zones and growth segments through major partnerships based on shared value creation	8/11 activity zones 6/7 growth segments	10/11 activity zones 6/7 growth segments	11/11 activity zones 6/7 growth segments	11/11 activity zones 6/7 growth segments	Have established a major partnership based on creating shared value in every zone and every growth segment

Innovative contractual models

Veolia has signed several contracts with fund providers based on the AssetCo - OpCo model: 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 energy efficiency projects, and through the **Kwinana** energy recovery project in Australia.

Innovative models founded on complementary expertise

Veolia is a partner of the STOP (**Stop Ocean Plastics**) project launched by Borealis and Systemiq. It aims to progress waste management and stop plastic disposal in the oceans in South-East Asia, by helping governments and cities to create effective household waste and industrial waste management and recycling systems. The first partnership started in April 2018 in Muncar, a coastal fishing community in Banyuwangi, East Java, Indonesia.

At the intersection of its business lines, Veolia has developed its knowledge in farming to respond to the growing needs to feed humans and propose new services to its customers in the future.

- partnership with **Entofood**, a Malaysian start-up which uses biowaste to cultivate insects, which are then used to feed livestock;
- in the south of France, partnership with the French start-up **Mutatec** for the industrial development of insect reproduction processes, and the conversion of the organic residue of these insects into protein, organic amendments and other high added-value products.

In 2019, **Yara** (a specialist in crop nutrition) and Veolia signed an agreement to develop the circular economy within the food production and farming chains in Europe. This partnership is based on access to growing volumes of recovered nutrients and Veolia's expertise managing organic materials, on the one hand, and Yara's expertise in mineral fertilizer production and crop nutrition on the other hand.

Alliance to End Plastic Waste

The Group is a partner of the new alliance created in January 2019 "**Alliance to End Plastic Waste**" (AEPW). Currently with nearly thirty international companies covering the entire value chain, the Alliance has agreed to invest over US$1 billion, with the objective of reaching US$1.5 billion in five years. It will develop and implement solutions to reduce and manage plastic waste and to promote their recycling as part of a circular economy.

Shared value creation models with our industrial clients

The partnership signed with **Danone** in 2015 continued in 2019. This unique global alliance relates to managing natural resources, industrial efficiency and reducing the environmental footprint. Danone's environmental objective covers management of water resources and sustainable organization of plastic and milk cycles at all its global industrial sites. This agreement allows Veolia to offer its expertise at all Danone sites, in order to have a much greater effect than they could have achieved individually.

Veolia continued its three-year partnership signed in 2018 with **Unilever**, which aims to develop the plastic circular economy in different countries, starting with India and Indonesia, as well as a partnership contract with Tetra Pak which aims to allow recycling of all food cartons collected in the European Union by 2025.

In 2019, Veolia signed three major partnerships based on this same shared created value model:

- **Nestlé** and Veolia became partners to combat plastic waste and develop plastic waste collection, sorting and recycling programs, particularly for flexible plastic waste.
- **Reckitt Benckiser** (RB) joined forces with Veolia for a plastic circular economy. For RB, it is another step in its commitment to 100% recyclable plastic packaging comprising at least 25% recycled raw materials by 2025.
- At the end of the year, **EDF** and Veolia announced the creation of a joint venture, Graphitech, to tackle the challenges of dismantling graphite nuclear reactors, which are complex to dismantle. Graphitech will combine EDF's expertise in the nuclear industry and dismantling engineering skills with Veolia's nuclear robotics skills.

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. These incubation programs were deployed in 15 regions in France, India and Mexico (see section 6.3.3.3.1 below).

In 2018, Veolia joined the **Toilet Board Coalition**, the first global platform dedicated to boosting the sanitation economy, alongside the founding companies – Unilever, Kimberly-Clark, Lixil, Firmenich and Tata (see Section 6.3.4.3.1 below). This public-private partnership brings together multinational companies, non-governmental organizations (NGOs), intergovernmental organizations (IGOs) and social landlords around a common objective: “Sanitation for all”.

In France, Veolia is continuing its 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.

Australia: the North West Alliance.

In Australia, Veolia has formed close ties with the Aboriginal community. One of the most significant is the joint venture “The North West Waste Alliance” created by Veolia and Our Country, an Aboriginal Australian company, in the field of waste recycling and energy efficiency. This partnership relies on collaboration and sharing knowledge and expertise between Veolia and communities to support local employment. In 5 years, this alliance has become the biggest company in the waste management sector in the Pilbara region.

6.3.3 CONTRIBUTE TO LOCAL DEVELOPMENT AND APPEAL

6.3.3.1 Risks and opportunities

Due to the significant geographic diversity of its operating locations and the very nature of its local activities, the Group faces many challenges. Whether environmental, economic or social, the development of Group activities creates impacts on the environment where the Group operates, society and all its stakeholders, including its supply chain (see section 5.2.2.4 above).

These diverse challenges and the need to take local requirements and expectations into consideration are included in the Group’s strategy in commitment 5 Contribute to local development. There are many opportunities for Veolia to implement local, innovative solutions which are beneficial both socially and economically, supporting local development and momentum.

6.3.3.2 Policy and commitments

Through its management, its local sites, its human resources policies (see Section 6.4 below), its sustainable purchasing policies (see Section 6.3.3.3.3 below), initiatives by the Veolia Foundation, its economic partnerships, innovation and entrepreneurship support systems, access and service development, the Group plays a leading role in local employment and development.

Commitment 5	2020 Objectives	Sponsor
Contribute to local development	• Maintaining expenditure reinvested in the regions above 80%	Mr. Claude Laruelle, Member of the Executive Committee, Chief Financial Officer

Veolia pursues the following goals:

- contribute to the economic and social vitality of the regions where the Group operates;
- contribute to regional resilience and help them rise to the challenges they face;
- develop smart solutions using digital technologies;
- contribute to social solidarity and the fight against exclusion, notably through its Foundation;
- establish responsible relationships with our suppliers.

The dialogue and links which Veolia creates with all stakeholders (see Section 6.3.2 above) are the tools needed to implement the initiatives and achievements presented in this section.

6.3.3.3 Actions and results

6.3.3.3.1 Contribute to local development

The Group contributes to local development through the performance of delegated public services and the significant local investments that it makes for the repair, maintenance and development of infrastructures and sustainable access to services. As close as possible to local social issues, Veolia accompanies regions in their transition to tackle challenges which they face, and supports their development, innovation and entrepreneurship.

Reinvesting locally and measuring its local socio-economic footprint

The majority of the Group's spending is carried out in the regions where Veolia operates. This creation of wealth, including direct or indirect jobs linked to its activities, cannot be offshored and therefore contributes to local development, economies and human potential.

In 2019, as part of its sustainable development commitment, Contribute to local development and appeal, Veolia locally reinvested 86.3% of its spending, in line with its 2020 objective to keep it above 80%.

	2016	2017	2018	2019	2020 objective
Percentage of spending reinvested locally*	84.8%	85.4%	85.7%	86.3%	Maintain the percentage of spending reinvested locally above 80%

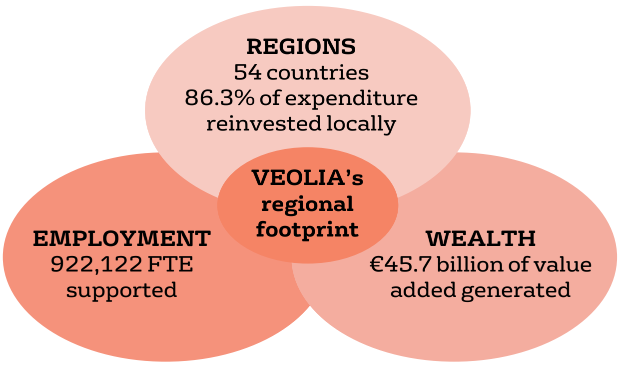
* *These geographic areas accounted for 68% of Group revenue in 2016. 70.6% in 2017 and 73.5% in 2018.*
In 2019, these geographic areas represented 74.3% of revenue: Germany, Australia, United States & Canada, France excluding Energy France (Corporate, France Water including SEM and excluding capsules, SEM, RVD, SADE, SARP, SARPI, SEDE, VIGS and VWT), the United Kingdom/Ireland, Poland, the Czech Republic, Japan, China (including Hong Kong and JV) and Mexico. In all these countries, the VWT activity is taken into account in the calculation if it is represented.

To understand and explain its impact, Veolia has measured its socio-economic footprint worldwide in collaboration with the consultancy Utopies. The model, which includes databases from tens of national and international statistical sources, helps reproduce the actual economy in the most realistic manner possible.

This study on 2018 helped quantify the impacts of Veolia activities beyond their direct impacts (employment and added value of the Group). The indirect impacts linked to the supply chain, and impacts caused by household consumption and public spending are also measured. The financial flows of 51 countries where Veolia operates, representing 99% of the Group's EBITDA, were analyzed.

The results of the worldwide study demonstrated that Veolia activities worldwide:

- supported over 922,000 full-time equivalent (FTE) jobs;
- helped generate €45.7 billion in Gross Domestic Product (GDP).



Contributing to regional resilience

Veolia supports regional resilience by helping, particularly through operating sites and in collaboration with public authorities, to tackle their physical, climate, economic and social challenges.

As part of its "Resourcing the world" mission, the Group offers smarter planning, development and management of infrastructures and public services in our cities, such as water supply, sanitation, and energy and waste management and recovery. Training and sharing best practices transform these challenges into opportunities for the most resilient cities.

A strategic partner of **100 Resilient Cities** since its creation, Veolia has contributed its expertise to this Rockefeller Foundation initiative that aims to help 100 international cities to become more resilient to social, economic and physical challenges. In 2015, **New Orleans** was the first city in the network to reveal its strategy for resilience, on the 10-year anniversary of Hurricane Katrina. Accordingly, Veolia and Swiss Re have developed a pilot project on certain municipal infrastructures, particularly strategic wastewater and drainage treatment systems, as well as their energy supply.

In **Lebanon**, Veolia has helped create a resilience plan in the city of Byblos. Veolia has also coordinated workshops in Cali, **Colombia** following the 2017 floods, then in Montevideo, **Uruguay** regarding waste management, in Cape Town, **South Africa** regarding water stress, and in Addis Ababa, **Ethiopia** on the social economy.

Milwaukee Region: Support when defining the resilience strategy

To help it respond to its demographic, economic and climate change challenges, Veolia assisted the Milwaukee Metropolitan Sewerage District, one of Veolia North America's biggest customers, with defining its resilience strategy in the Milwaukee region.

This plan, published in August 2019, is based on an analysis of risks and regional challenges ranked during workshops involving 28 municipalities, as well as a panel of stakeholders interested in the approach and regional figures. This strategic framework provides operational recommendations covering the environment, economy and infrastructure, in order to make the region stronger and more resilient.

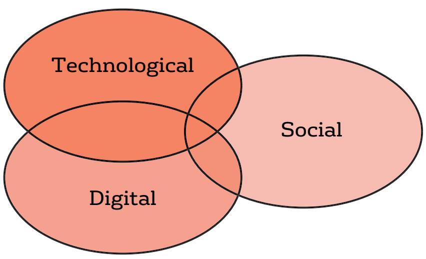
Supporting innovation and entrepreneurship

Veolia's involvement in regional economic development is reflected in different open innovation systems. They encourage the emergency of technical, social and environmental solutions with local entrepreneurs and constitute opportunities for joint development.

Technological Open Innovation

The **VIA by Veolia** program, managed by Veolia Research and Innovation, detects, evaluates and supports the integration of innovative technical solutions in our business lines. The program provides innovative responses to specific needs, when no internal solution is available. It is used in the areas of operating or environmental performance improvement and the development of new services or unique commercial offers. This service benefits from a strong methodology based on the means and expertise of Veolia Research and Innovation. Since the launch of VIA by Veolia as a service in 2017, the teams have performed 118 sourcings of innovative technologies, leading to 23 technical qualifications by Veolia. To date, four business partnerships have been signed (or are being signed). In addition to this program, five collaborations with start-ups were established in 2019 as part of R&D projects.

Open Innovation



The VIA by Veolia team collaborated with the **Business Unit Waste Solutions** (Recyclage et Valorisation des Déchets) in France to identify, test and classify solutions able to measure the fill rates of voluntary waste drop-off points, then to send the data to Veolia to optimize waste collection. These studies have helped identify a solution which is currently being deployed in the region, with 600 sensors in use and 1,200 to come.

Launched by Veolia in Germany, the acceleration program **U-START** encourages cooperation with innovative start-ups in the fields of the circular economy, climate protection and responsible resource management. In order to help start-ups to develop their solutions and accelerate their sale, Veolia provides entrepreneurs with the possibility to enter into a co-innovation partnership through different technical and commercial development opportunities: prototyping, tests and proof of concept for Veolia facilities, co-creation projects, access to distribution channels, etc. Since its creation in 2016, U-START has led 13 cooperation projects with start-ups through eight calls for solutions.

In 2019, U-START enabled iNex Circular, a French start-up specializing in Open Data Mining, to launch a pilot project within the Veolia waste activity sector in **Germany**. By precisely locating deposits of all types of resources (organic waste, wood, paper, etc.), in a given geographic radius, the tool facilitates the work of commercial teams and identifies new opportunities for development. The solution provided by iNex has been approved by teams during tests; the objective for 2020 is to find new applications within Veolia Germany.

Social Open Innovation

Launched in 2014, the Social Open Innovation program **Pop Up by Veolia** helps support the emergence and growth of entrepreneurs with high potential social impact on local areas and to co-create innovative solutions. Locally, Veolia works with social entrepreneurship incubators to detect, select and support entrepreneurs with a high potential impact. Supported entrepreneurs benefit from the support and expertise of Veolia employees to jointly create innovative projects and solutions with different local players. The "Pop Up" program was deployed in 2019 in 15 regions in France, India and Mexico. By the end of 2019, 140 social companies have been supported, and there were 20 collaborations.

Following a selection *via* the **India Pop Up**, Veolia entered into a partnership with the NGO **FORCE** (Forum for Organized Resource Conservation and Enhancement) and Nangloi Water Services. Through various initiatives, campaigns and community awareness programs, the objective is to promote the legal connection to drinking water, providing a healthy supply of water for all. Thanks to this project, the NGO was able to help 10,661 households in 2019.

Digital Open Innovation

Nova Veolia relies on innovation and digital technology to boost the Group's business lines, to reinforce the performance of services in cities and to offer new solutions to citizens that are connected and provide efficient resource management. By investing in a digital business ecosystem and by developing open innovation, Veolia supports the transformation of urban services and co-created the smart city, an inclusive and pleasant place to live.

As an example, smart water meters deployed by the company **Birdz**, a Nova Veolia subsidiary, in over 3,000 cities can immediately inform consumers if there is a leak or risk of freezing.
The emergence of new technologies in the urban space is also a chance for cities to offer practical services adapted to the needs of each individual. The **HomeFriend** application allows citizens to track their actual drinking water consumption and compare it to similar households.

Developing "smart" solutions to support performance

Using digital technology, smart solutions seek to improve the information provided to citizens and their comfort, and to optimize the environmental, social and economic performance of the services delivered by Veolia.

Hubgrade is Veolia's activity performance control center (water, energy and waste management). By using smart digital solutions, Hubgrade enables teams to monitor and exploit data in real time to optimize resource management for municipal, commercial and industrial clients.

The deployment of these smart centers allows Veolia to analyze data from millions of sensors in order to accelerate its customers' search for performance and limit pressure on resources. In 2019, Veolia had 27 operational Hubgrade centers worldwide (Europe, United Arab Emirates, China, Australia, etc.), representing over 1,700 managed sites.

In 2019, the **Lausitz Startup Meeting** took place for the second time in Weißwasser, Germany in collaboration with Veolia Germany and the Lausitz economic region. The initiative brought together businesses and start-ups from the region and Germany to promote partnerships and cooperation on the themes of the "Smart City" and "Industry 4.0".

6.3.3.3.2 Encourage social and professional integration

Veolia, a responsible employer

Through its management and human resources (see Section 6.4 below) and purchasing (see Section 6.3.3.3.3 below) 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 178,780 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 (3,050 trainees in 2019);
- its insertion actions through economic activity, in coordination with the Veolia Foundation and in partnership with insertion organizations (see below);
- creating pathways between the Veolia Campus network (see Section 6.4.4.3 below), the Group and professionals and partners involved in training, orientation and employment to prepare young people and those most alienated from the workplace for the Group's businesses: 'Second Chance Schools', Employment Support Centers (EPIDE), local community support networks in France, the "Elles Bougent" and "Sport dans la ville" associations, etc.;
- a diversity policy and actions: fighting discrimination, supporting the employment of individuals with disabilities (see Section 6.4.5.3 below);
- a policy of openness towards training sectors (schools, universities): hiring of student interns (4,230 in 2019), Trophées de la Performance (performance awards), summer schools, student forums and fairs (see Section 6.4.4.3 below);
- community initiatives adapted to a specific local context: the Reconciliation Action Plan (RAP) 2019-2022 in Australia aimed at Aboriginal Australians, the Amendis collaboration, Veolia Morocco, with the Enfants du Paradis association to support young people with disabilities, the creation of training modules to improve safety standards and working conditions for people working in the waste management sector in India, etc.

Australia: The *Reconciliation Action Plan*

Veolia reaffirms its historic commitment to defending the rights of Aboriginal Australian and the Torres Strait Islander peoples, and launched the third ***Reconciliation Action Plan* (RAP) 2019-2022**.

This commitment started in 1997 with the partnership to employ Aboriginal people signed with *Indigenous Business Australia*. In 2013, the joint venture *The North West Alliance* was created with the Aboriginal Australian company *Our Country*. This alliance has become the biggest provider of waste management services in the Pilbara region. This was followed by the 2014-2016 and 2017-2019 RAP, strategic frameworks to combat inequality and to develop long-term ties with the communities and local organizations.

The priority areas for action of this new 2019-2022 plan will be education, employment, community partnerships and collaboration with Aboriginal and Torres Strait Islander peoples.

Support for the transition to work and creating social cohesion with the Veolia Foundation

Support for the transition to work and social cohesion is one of the Veolia Foundation's priority areas of action, along with development assistance and humanitarian emergencies and environmental and biodiversity protection. 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.). Beyond just financial support, the Foundation aims to create pathways between supported projects and initiatives and the Veolia Business Units to encourage integration and a long-term return to work.

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. The major partnerships are:

- **Actavista**, a historic heritage renovation integration and training course;
- Life Project 4 Youth (**LP4Y**) which sets up training centers in India for extremely vulnerable young people;
- **Espaces**, an urban ecology integration association;
- **Lulu dans ma rue**, a community caretaking service available in various districts in Paris.

Projects to support the transition to work and social cohesion in 2019

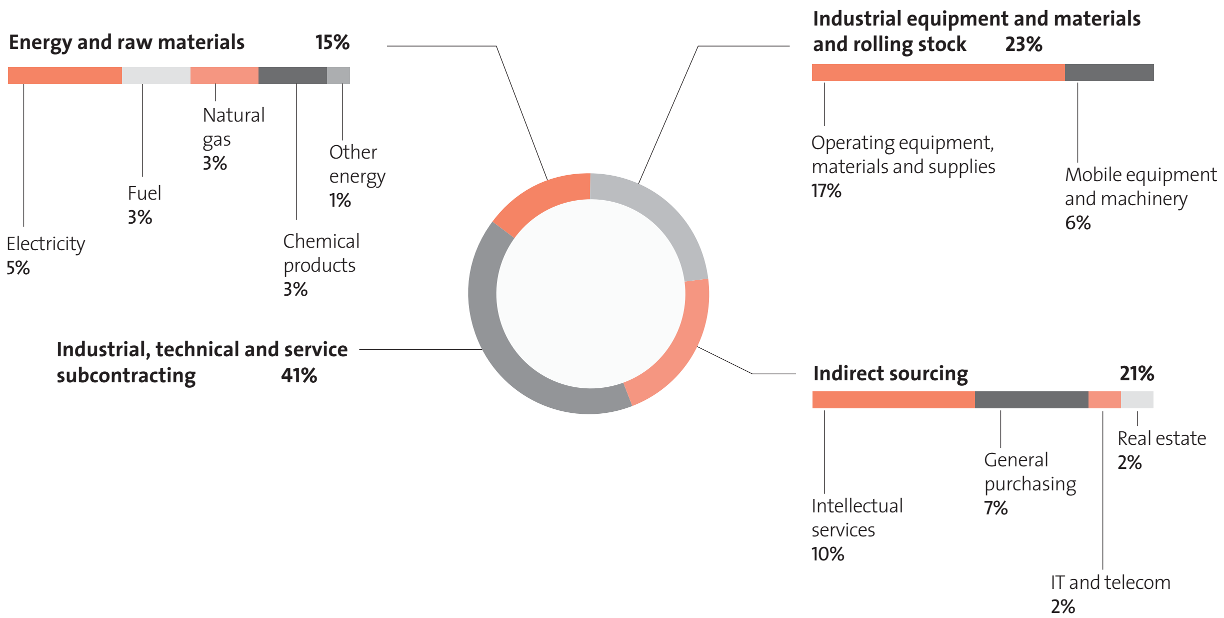
Beyond these historic partnerships, each year the Veolia Foundation supports various associations and companies working to help the most underprivileged transition to work and to improve neighborhood social cohesion. In 2019, the Foundation supported 13 projects providing support for the transition to work and social cohesion, such as **L'école des semeurs**, **Yokoumi**, **Heko farm** and **A.S.E.I. Agir, Soigner, Eduquer, Inclure**.

Acta Vista: build to rebuild

Supported for over 10 years by the Veolia Foundation, the Acta Vista association (a member of the SOS group, Europe's leading social enterprise) holds training and integration workshops on heritage restoration jobs. The people who they support learn a trade in prestigious buildings, with the aim to get back into work long-term. Acta Vista employs and trains over 400 people a year, with a third under 26, 92% of employees qualified at the end of the course and over 60% finding a job.

6.3.3.3.3 Establish responsible relationships with our suppliers

Breakdown of total 2019 external spending (1)



Veolia's purchases are highly diversified and mainly fall into the following three areas:

- energy and raw materials, locally sourced from domestic players or subsidiaries of international suppliers;
- industrial and service subcontracting concerns maintenance, servicing and works for equipment and installations, logistics and waste processing. It is carried out by local and small-scale players (small and medium-sized enterprises, intermediate-sized enterprises, etc.);
- industrial equipment and materials and mobile equipment, at the core of the business operations, carried out for the Group's major customers, represent a significant portion of energy consumption. These purchases are therefore fully costed over the life cycle.

Veolia's sustainable purchasing policy is based on three principles, measured with indicators.

	Monitoring indicator	2016	2017	2018	2019	2020 objective
1/ Engaging our suppliers	Share of contracts including sustainable development clauses	59%	57%	63%	71%	80%
2/ Evaluating their CSR performance	Share of strategic suppliers (1) evaluated in the past three years	49%	48%	55%	61%	70%
3/ Contributing to local development	External spending on the protected and adapted sector	€7.3 million	€8.8 million	€9.6 million	€10.4 million	NA

(1) In 2016 and 2017, a strategic supplier is a supplier rated A, with spending in excess of €3 million per year (greater than €2 million in 2016), and/or for which a contract or action plan exists for a Business Unit and/or when the latter has already been assessed.
Since 2018, a strategic supplier directly contributes to the Group's strategy and has a critical role in Veolia industrial processes (industrial equipment, production energies, chemical products, mobile equipment and major telecoms & IT operators). It represents a recurring expense at Group or Business Unit level.

Engaging our suppliers

In relation to regulatory changes and new Group policies, Veolia has reinforced its purchasing compliance program and its Corporate Social Responsibility (CSR) policy.

In 2019, Veolia launched a buyer certification program on purchasing compliance, through e-learning developed jointly with the Veolia Campus. This program ended in November 2019. It helped train and certify 370 buyers and 48 Compliance officers.

Our Supplier charter, updated in March 2019 and available at veolia.com, is always sent during consultations and signed by third parties. It helps engage and make suppliers accountable regarding Veolia purchasing principles and processes, including their supply chain.

(1) The total spending corresponds to the sum of external spending. Are excluded the Energy entities in France, the new Waste activities in the Nordic countries, as well as the France Water capsules, the international entities of Veolia Industries Global Solutions and SADE, and the joint ventures.

In order to prevent risks linked to compliance with ethical rules, employment law and the environment (human rights, child labor, corruption, etc.), specific sustainable development and anti-corruption clauses are included in new contracts or renewed contracts/amendments with suppliers and subcontractors.

At the end of 2019, 71% of the Group supplier contract database included a sustainable development clause. 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.;
- complying with the Group's 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.

Evaluating our suppliers

In the call for tenders, supplier risks are identified using a risk mapping by purchasing category integrating the following criteria: expense amount, energy consumption, business strategy, as well as CSR and ethics criteria consistent with the Group's risk mapping. This mapping allows buyers to identify, analyze and rank strategic suppliers and/or suppliers in the most exposed categories.

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. Where needed, corrective actions and site visits are conducted.

During the past three years, evaluations covered 61% of the Group's strategic suppliers, including 237 suppliers in 2019 with a focus on at-risk countries. Several supplier and buyer webinars in China and Latin America supported and accelerated this evaluation program. Veolia and its Purchasing Departments also evaluated 259 non-strategic suppliers.

In the second quarter of 2019, the Group implemented an internal site visit report solution to supplement its monitoring system, organized around the main topics relating to health and safety, the environment and social matters.

Contributing to the development of the local economy

As part of the France Water business partnership with the GESAT network [(1)] (disability strategies), the Group Purchasing Divisions have adopted since 2013 an approach that promotes purchasing 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 2019, expenditure for purchases from the protected workers sector (excluding VAT) rose again to €10.4 million (France scope) thereby contributing to the creation of stable jobs for disabled persons, in particular, in the waste recycling sector.

Moreover, Veolia purchases are fundamentally integrated into the Group's socio-economic footprint. Specifically, a priority indicator for this commitment measures the weight of spending invested in the local economy (see Section 6.3.3.3.1 above).

Best practices

For Veolia, the Total Cost of Ownership (TCO) 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 electric 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 enables the Group to obtain between 50% and 70% of the total cost of a pump. Based on these results, this solution will be progressively rolled out internationally.

(1) GESAT: Association created in 1982 to promote the protected and adapted employment sector and support economic players in their relations with this sector.

Savings linked to Energy Savings Certificates (ESC)

Within the France scope, the Veolia Purchasing Department actively promotes energy efficiency with energy consumers, both for its own use and that of local authorities, professionals or households:

- raising operator awareness to anticipate equipment renewal;
- sustainably reducing energy consumption and increasing efficiency;
- making savings in energy purchases and equipment purchases;
- systematizing ESC collection and recovery.

For this purpose, in February 2017, Veolia signed an agreement with Greenflex, an energy performance consultancy firm and subsidiary of the TOTAL group (regulated operator).

Some figures:

- amount of energy saved: 1,304 GWh (updated aggregate);
- €1.4 million in ESC bonuses in 2019;
- 81 cases eligible for the energy savings certificates system in 2019.

6.3.4 SUPPLY AND MAINTAIN SERVICES CRUCIAL TO HEALTH AND DEVELOPMENT

6.3.4.1 Risks and opportunities

Beyond the fundamental measures taken in favor of consumer health and safety to comply with its obligations in terms of hygiene-related risks (see Section 5.2.2.2 above), Veolia acts to provide and maintain the services crucial to health and development.

Through its business, close ties with local communities (see Section 6.3.2 above) and its significant regional presence (see Section 6.3.3 above), Veolia contributes globally to the United Nations Sustainable Development Goals. This regional network and the Group's proximity to local issues is an opportunity to develop services adapted to specific contexts, and to launch development aid or emergency assistance activities.

6.3.4.2 Policy and commitments

The Group provides drinking water to 98 million people, wastewater treatment services to nearly 67 million people, waste collection services to 42 million people, and supplies heating to close to 7.4 million people worldwide [1].

Alongside delegating authorities, partners and industrial clients, Veolia aims to offer sustainable access to the essential Water, Waste and energy services, specifically in favor of targeted policies for the most disadvantaged people or districts.

Operating worldwide, Veolia is attentive to the objectives of the international community.

Commitment 6	2020 Objectives	Sponsor
Supply and maintain services crucial to health and development.	• Contribute to the United Nations sustainable development objectives, in the same way as we contributed to the Millennium Development Goals	Mr. Régis Calmels, Member of the Executive Committee, Senior Executive Vice-President, Asia

(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.

6.3.4.3 Actions and results

6.3.4.3.1 Contribute to Sustainable Development Goals

Veolia plays an active role in implementing objectives defined by the international community. 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. Since 2000 and the definition of the Millennium Development Goals (MDGs), the Group has provided 10.7 million people with access to drinking water and 4.5 million with access to sanitation services in emerging and developing countries, specifically through its social outreach programs in Africa and Latin America.

Since the implementation of the SDGs in 2015, the Group has provided 5.1 million people with access to drinking water, and 1.9 million people with access to sanitation services. In 2019, 1.1 million people gained access to drinking water, and 152,000 to sanitation [(1)].

	Since definition of the MDGs (2000)	Since definition of the SDGs (2015)	2020 objective
Population with access *(in millions of people)*	• drinking water: 10.7 million • sanitation: 4.5 million	• drinking water: 5.1 million • sanitation: 1.9 million	Contribute to the United Nations sustainable development objectives, in the same way as we contributed to the Millennium Development Goals

To encourage the implementation of the SDGs, Veolia is also involved in innovative partnerships to respond more effectively to problems with accessing essential services. The Group is forming new alliances, which rely on complementary expertise and help to deal with problems which it could not have tackled alone (see section 6.3.2 above).

The Toilet Board Coalition

Since 2018, Veolia has been a member of the **Toilet Board Coalition**, a multi-stakeholder platform which aims to provide as many people as possible with access to sanitation services (SDG 6). This platform links up multinationals, entrepreneurs, public institutions and NGOs to identify initiatives and solutions to accelerate the sanitation economy and significantly impact this market and society. The collaboration between Veolia and the Toilet Board Coalition focuses on the deployment of decentralized solutions complementary to existing systems, to develop access to toilets, and improve the performance of centralized systems. Business partnerships are being studied in Africa.

6.3.4.3.2 Develop and maintain systems for access to services adapted to the local context

Some groups of people have difficulty accessing or maintaining the services provided by Veolia, which are crucial for health and development. This can be for financial reasons (high initial connection costs, cost of work required for connection or difficulties in paying the subscription), or administrative, linguistic or physical reasons (remoteness, elderly persons, etc.).

As a result, Veolia works with delegating authorities, partners and industrial clients to provide long-term access to essential services and to develop locally adapted solutions.

Access to services

Giving everyone access to high-quality services through the ACCES approach

The Group has developed a set of solutions tailored to the local context, ensuring everyone has access to high-quality services. ACCES expertise (technical, financial, institutional, or societal engineering) is a good example of Veolia's strategy and commitment. It is broken down into three areas:

- **technical engineering**: providing as many people as possible with access to the same resource and infrastructure, and proposing new distribution methods;
- **financial and institutional engineering**: implementing socially acceptable price policies, increasing individual subsidized connections, developing new social Research and Innovation models, seeking innovative funding and approaching backers;
- **social and customer relations engineering**: developing local customer services and mediation solutions, promoting suitable service use to optimize benefits, evaluating the impacts on quality of life, developing partnerships and co-creating new solutions.

(1) Providing new access to drinking water and sanitation systems includes distribution and new production/treatment units, without final distribution, in 12 countries with limited access, where Veolia works to provide access to these services. For distribution, data is obtained from the number of connections by Veolia, multiplied by the average number of people per household as estimated by INED (French National Institute of Demographic Studies). For production plants, the number of people with access to drinking water is estimated from the volumes produced, the average water network yield observed by Veolia in 2019 and the average consumption ratio observed locally. For treatment plants, the number of people is estimated from plant treatment capacities and the average wastewater production ratio per person observed locally. 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.

These solutions, initially developed for water access in Africa, have now 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.

With "Eau pour tous", public authorities support all service users

In developed countries, the Group is also mindful of access to services for the poorest populations, as well as for people in situations of financial uncertainty and the homeless. In France, its 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 consumption and budget in the long term;
- **prevention solutions** to alert users to unusual over-consumption.

The Group's approach is based on shared responsibility between different service stakeholders: the public authority, the service operator and the user. It allows each person to exercise their rights and do their duty:

- the users' right to assistance and equal treatment, and their duty to control their consumption;
- the operator's duty to provide information and commit to offering effective solutions;
- the public authority's duty to tackle exclusion.

The *Eau pour tous* program enables nearly €3.1 million of emergency aid to be made available in 2018 through housing solidarity funds and the allocation of water vouchers (or a personalized support voucher), representing over 25,000 beneficiaries.

The French Inclusive Business Group

Veolia is a member of the French Inclusive Business Group, launched in December 2018 to develop access to essential products and services, as well as training and employment. As part of this, Veolia committed to accelerating the deployment of Water Checks in partnership with public authorities.

Maintaining and organizing services

Smart meters to better manage a budget and improve access by the most disadvantaged groups

The issue of the cost of access to water is a daily challenge for the most vulnerable populations. Veolia has got together with the start-up City Taps, which has developed a unique pre-payment solution including a smart meter. Customers can pay for water in advance using their mobile phone, for a set amount or depending on what they can afford: 1 m^3, 2 m^3, 10 m^3 or more. This solution allows the household to better manage its budget, and thanks to the mobile solution it can be deployed easily and widely in African countries. The service was tested first in Niamey, Niger with Société d'Exploitation des Eaux du Niger customers using 200 meters. The objective by 2020 is to extend the project and allow around 100,000 people in Niamey to access water at home.

In France, Veolia is a leading partner of PIMMS

It is crucial to have access to drinking water and energy to be able to live and work with dignity. Veolia believes it has a leading role to play to help users in difficulty who are in a vulnerable situation or have even lost access to public services. That is why the Group took part in the creation of the PIMMS system (Multi-service information and mediation point), alongside other major public service operators. The PIMMS concept consists of facilitating access to public services for people in a given area and preventing problems, thanks to mediation staff who offer users support, explanations (about topics such as day-to-day processes, billing arrangements and access to Internet services) and advice (on matters such as managing a family budget and controlling energy consumption).

The Socias Gestoras program in Mexico

In Mexico, the Veolia subsidiary Compagnie des eaux d'Aguascalientes (CAASA) has launched the "Socias Gestoras" program. This initiative relies on women from the local community who visit users who cannot make payments, informing them about existing systems and proposing solutions, such as bill discounts, staggered payments or specific aid. The "Socias Gestoras" program reflects the 17 United Nations Sustainable Development Goals; it encourages access to essential services, contributes to local development and helps integrate women in difficult situations. These single mothers, who are heads of households, are involved in an empowering activity which generates an income. This program is in collaboration with a local association, Civile Tlanemani.

Colombia: the "Mi isla limpia" program

In Cartagena, Colombia, Veolia has developed the "Mi isla limpia" program, focusing on the technical, environmental and social problems specific to waste management in this isolated area. Collections on foot or by electric scooter, as well as the establishment of temporary storage zones, provide fair access to waste collection services for 3,800 people. In addition, different programs have helped raise awareness amongst 2,500 people in the Cartagena region and 6,000 tourists of the environment and waste management.

6.3.4.3.3 Take consumer health and safety measures

Veolia provides drinking water to 98 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 2019, regulatory compliance rates for water distributed were 99.8% and 99.7% respectively for bacteriological and physicochemical parameters,
  - by monitoring compliance of the largest distribution networks throughout the world;

		2016	2017	2018	2019
Compliance rate with local regulations and distributed water contractual requirements	Bacteriological parameters	99.7%	99.7%	99.8%	99.8%
	Physicochemical parameters	99.7%	99.7%	99.7%	99.7%

- 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.

6.3.4.3.3 Lead international outreach actions with the Veolia Foundation

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, sanitation services or electricity is one of the ways that Veolia is actively committed.

Veolia's commitment is also demonstrated through its Foundation. One of its missions is to help people to live healthily and with dignity. As part of this mission, the Veolia Foundation:

- provides **emergency humanitarian assistance** during natural disasters and humanitarian crises to evaluate requirements and ensure that people have access to water, sanitation, energy and waste management;
- supports **development aid projects** for these essential services which are core Veolia businesses.

Veolia Foundation's international solidarity initiatives help develop access to essential services. It provides financial support and the skills of the Group's employees.

Multi-year partnerships

The Veolia Foundation has 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.

The Foundation has also committed to provide **Doctors without Borders** with Veoliaforce experts to support its Research and Innovation projects for humanitarian issues in sectors close to Veolia's business lines. With **Doctors of the World**, it works to prevent health and environmental risks incurred by dismantlers in Manila and supports health watches organized in France in migrant camps. The Foundation has also strengthened its links with the **Red Cross**, by pooling its logistics bases in Pantin and offering additional training to Red Cross emergency response teams.

Veoliaforce missions, emergency humanitarian assistance and development aid in 2019

The Veolia Foundation naturally works alongside stakeholders to temporarily respond to essential needs in the event of a crisis or deploy long-term solutions in regions without a suitable infrastructure. In 2019, the Veolia Foundation took part in 15 development aid or emergency humanitarian assistance projects. 24 Veoliaforce missions represented 373 man-days of skills patronage.

Mozambique: humanitarian assistance

In **Mozambique**, Cyclone Idai caused havoc in March 2019, with nearly one thousand deaths and around two million people affected. The Foundation took action with the French Red Cross, Doctors without Borders and International Solidarity Movement, sending equipment and around ten Veoliaforce experts. Their mission is to repair or install drinking water production, storage and distribution facilities. Important work to train local teams is also provided to ensure long-term access to drinking water.

Philippines, Congo, Senegal: development aid projects

The Foundation's Veoliaforce volunteers provided assistance in the **Philippines**, in Manila, as part of the partnership with Doctors of the World to reduce exposure to health and environmental risks.
The Foundation also got involved in Uvira to support the program to combat cholera in the **Democratic Republic of the Congo**, and in Saal, **Senegal**, for a pilot water drinking water project on the Gambia river.

6.4 Human resources performance: impact on employees

6.4.1 COMMITMENTS AND ORGANIZATION

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 also depends on its ability to attract and retain talent. To this end, Veolia endeavors, as never before, to be an employer of choice for all the regions.

As part of its sustainable development commitments (see Section 6.1.1 above), Veolia reconfirms its policy for the Company's employees, based on three major commitments:

- commitment 7: Guarantee a safe and healthy work environment (see Section 6.4.3 below);
- commitment 8: Encourage each employee's professional development and commitment (see Section 6.4.4 below);
- commitment 9: Guarantee that diversity and fundamental human and social rights are respected within the Company (see Section 6.4.5 below).

The Group's Human Resources Department has set up an integrated organization to serve Veolia's strategy.

Through its "Human Resources Initiatives" approach, and working with 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 Human Resources Initiatives Awards ceremony. It recognizes initiatives in preventive health and safety, skills and talent development, social equity, diversity and solidarity, operating performance and development. A publication entitled "2019 Human Resources Initiatives" presents more than 60 human resources initiatives from 51 countries, selected from 310 initiatives.

The Group also uses social reporting to monitor the roll-out of its human resources policies and their performance using the Group's HR data. The human resources information presented below is extracted from this tool.

6.4.2 WORKFORCE BREAKDOWN

Geographic breakdown of the workforce: 178,780 (√) employees as of December 31, 2019 (1)

Geographic breakdown and change in the workforce over three years

	2017	2018	2019	2019-2018 change
Europe	112,701	115,829	116,115	+0.2%
• Including France	50,337	50,849	51,113	+0.5%
North America	8,593	8,138	8,539	+4.9%
Latin America	12,441	13,409	18,019	+34.4%
Africa – Middle East	12,375	10,968	11,653	+6.2%
Asia – Oceania	22,690	23,151	24,454	+5.6%
TOTAL WORLD (√)	168,800	171,495	178,780	+4.2%

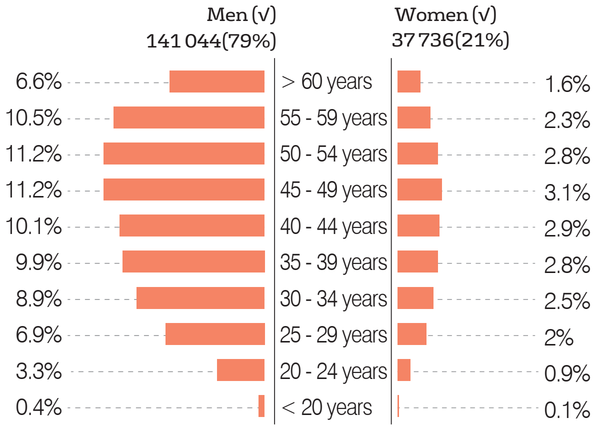
As of December 31, 2019, the total workforce was 178,780 employees, compared with 171,495 as of December 31, 2018.

In 2019, the workforce increased by +7,285 employees, or +4.2%, due to:

- an increase (excluding inter-company scope impacts) of 14,600 employees as a result of acquisitions, new contracts and/or business development. The main increases are:
  - in Latin America, 6,000 employees, with notably the acquisition of the Sala group in Colombia,
  - in Europe, 4,000 employees, driven by new acquisitions in industrial services and plastic recycling in Benelux, the development of Water activities in Italy and Waste activities in the United Kingdom,
  - in Asia, 1,500 employees, in respect of new activities in Energy in China,
  - in Africa and the Middle East, attributable to new contracts wins, including around 450 employees in the Middle East;
- a decrease (excluding inter-company scope impacts) of approximately 7,300 employees. This decrease is due to entity disposals, employee departures and lost contracts. The main decreases are:
  - in Europe (excluding France), nearly 2,000 employees,
  - in Latin America, 1,000 employees,
  - in the United States, 750 employees.

(1) Excluding employees of the Chinese concessions.

Workforce by gender and age in 2019 measured in percentage and value



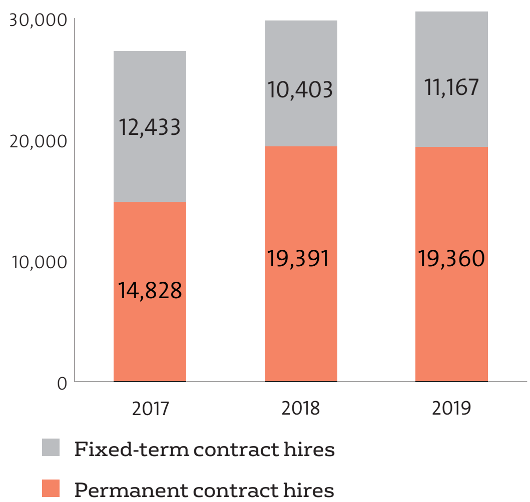
Breakdown of total workforce by type of contract and by category

	2017	2018	2019
Total workforce as of December 31	168,800	171,495	178,780 (√)
Annual full-time equivalent workforce	160,159	162,740	171,212(√)
Share of workforce with permanent contracts (FTE)	91.9%	91.3%	93.4%
Total managerial staff	12.3%	12.2%	12.2%(√)
Total non-managerial staff	87.7%	87.8%	87.8%(√)

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

Number of hires



Number of departure

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In 2019, the Group recruited 24,210 employees on the labor market. Veolia recruited 19,360 employees under permanent contracts and transformed 4,850 fixed-term contracts into permanent contracts during the year. Hirings under permanent contracts represented 63% of total external hires, including over 4,200 in France, nearly 2,200 in the United Kingdom, over 1,500 in Colombia and approximately 1,200 in Germany. In addition, hires following a market takeover contributed 734 employees. The Group also hired 11,167 employees under fixed-term contracts. In 2019, 1,543 employees benefited from internal mobility. Of the total departures recorded by the Group in 2019, 12.9% were the result of individual dismissals and 1.6% followed collective redundancies. 2,088 redundancies were recorded in 2019 following the loss of a contract.

Planned reductions in workforce, job protection schemes, and support measures

The restructuring plans implemented in 2019 most often corresponded, after a review of the various alternatives, to a reorganization that was vital for Business Units. These operations are carried out in compliance with legislation and in consultation with labor and management representatives and giving priority to internal redeployment within the Group.

Accordingly, the departures recorded in 2019, under the voluntary departure plan negotiated for the France Water scope, concerned 278 employees. Moreover, in Poland and Germany a redundancy plan concerned around 46 and 38 people, respectively. As part of voluntary departure programs or redundancy plans, accompanying measures (both internal and external) are implemented and facilitated with the constant aim of ensuring the employability of individuals. 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.

6.4.3 GUARANTEE A SAFE AND HEALTHY WORK ENVIRONMENT

6.4.3.1 Prevention, health and safety in the workplace

6.4.3.1.1 Risks and opportunities

The Group's most valuable resource and consequently its primary asset is its employees. Sustainably protecting the health and safety of employees and sub-contractors while protecting customers and communities served by the Group is an absolute priority.

The variety of Veolia's business sectors, geographic zones and working environments require constant due diligence (see Chapter 5, Section 5.2.2.2 above). The Group is committed to ensuring the physical and psychological integrity of its employees and sub-contractors in all its businesses and installations by implementing a permanent approach.

The Group is aware of its responsibility and makes "zero accidents" an objective and a performance driver.

6.4.3.1.2 Policy and commitments

Commitment 7	2020 objective	Sponsor
For the Company's men and women Guarantee a safe and healthy work environment	• Achieve an injury frequency rate of less than or equal to 6.5	Mr. Antoine Frérot, Chairman and Chief Executive Officer

Health and safety results are monitored closely by different governance bodies, *i.e.* the Executive Committee and the Management Committee, the Board of Directors, the Ethics Committee and the Sustainable Development Committee. They are also shared with staff representative bodies and are made available to all Group employees *via* the Veolia intranet.

A commitment shared at all levels of the organization

The Chairman and Chief Executive Officer of Veolia Environnement signed the Seoul declaration at the International Labor Organization's headquarters (ILO), which recognizes the fundamental human right to a safe and secure working environment.

Veolia is committed to promoting the continuous improvement of occupational prevention, health and safety, training employees and more generally, all Group stakeholders, as well as 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 letter of undertaking signed by the Chairman and CEO.

The five strategic pillars of prevention, health and safety at Veolia are to:

- involve the entire managerial line;
- improve health and safety risk management;
- improve communication and dialogue;

- train and involve all employees;
- monitor and control health and safety performance.

This process supports the efforts already initiated and involves all employees at all levels of the organization, as well as the Group's suppliers, subcontractors and joint venture partners.

A steering body: the prevention, health and safety center of excellence

The prevention, health and safety center of excellence is comprised of some 25 international experts within the Group. It proposes prevention, health and safety strategies to the Executive Committee and coordinates Group-wide projects, creates synergies between the businesses by encouraging the sharing of best practices, and evaluates results using performance indicators. In addition, 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, flexible and ongoing improvement system which incorporates the cultural dimensions specific to each country. In 2019, the center of excellence met twice in person in addition to video conferencing.

A continuous improvement process

To communicate their involvement and commitment, all management levels regularly conduct safety field visits. These visits help observe working situations, discuss best practices with employees and areas for improvement, and thus take action on certain behaviors.

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.

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.

6.4.3.1.3 Actions and results

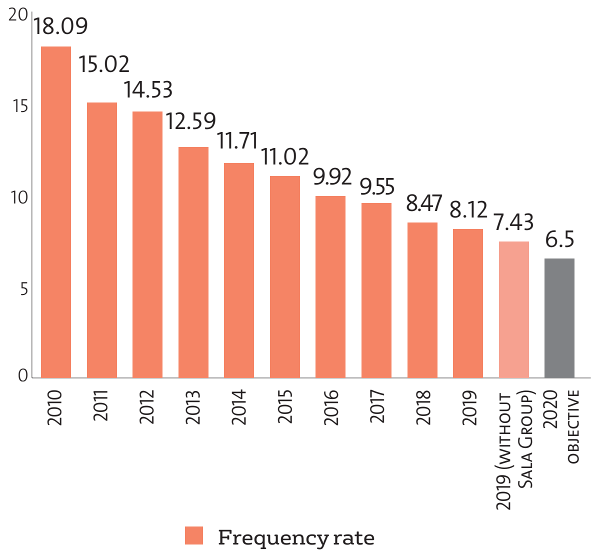
A constantly falling frequency rate

Since 2010, the frequency rate (the number of lost-time accidents per million hours worked) has been constantly falling: from 18.09 in 2010 to 8.12 (√) in 2019 (*i.e.* -4.11% vs. 2018).

Note that the integration, in 2019, of the SALA Group in Colombia, comprising 4,700 full-time equivalent employees, affected the Veolia frequency rate by +0.69 points. Thus the Veolia frequency rate excluding the Sala Group is 7.43, *i.e.* -12.3% vs. 2018.

In 2019, 26 Group countries did not record any lost time injuries.

Trend in the injury frequency rate since 2010



Occupational health and safety management guidelines

Members of the prevention, health and safety center of excellence have developed occupational health and safety management guidelines based on best practices identified from worldwide operations.

The objective of these guidelines is to organize and define clear guidance to enable line management to develop and implement a continuous improvement plan, adapted to each Business Unit.

The guidelines were designed based on Veolia's five Prevention, Health and Safety strategic pillars; these cover the specific measures, actions and requirements to reach an "interdependent" safety culture and make zero accidents a choice and target excellence.

In addition, Veolia has set up structured and determining prevention processes based on standards such as ILO OSH 2001 and/or OHSAS 18001. Every year, entities are certified, labeled or recognized worldwide for their procedures in prevention, health and safety.

In 2019, 60.8% of revenue was covered by OHSAS 18001 certification.

Risk mapping and the ten standards of high-risk activity management

After an analysis by the prevention, 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. Members of the center of excellence then defined priorities to produce standards based on internal and external best practices. Members of the center of excellence drew up ten management standards for high-risk activities, involving internal stakeholders in this process (Technical Departments, operational

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managers, HR Departments, Legal Departments). A matrix to evaluate the level of compliance of high-risk activity management standards with human, organizational and technical requirements was also implemented to support operational deployment in the field. Implementation is tracked within each country, then each zone, and finally consolidated at Group level.

Safety audits and visits and the monitoring of action plans

Safety audits and visits 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 2019, over 160 audits or visits were conducted on site.

Annual progress reports are submitted to the Executive Committee in order to verify that the actions conducted fit with the Company strategy.

Sharing best practices

A monthly collection of health and safety initiatives, the PowerBook is developed based on best practices promoted by different countries. It is notably intended to guide managers with the deployment of standards and to promote best practices on site in order to encourage individuals to deploy these standards.

Posters are created in line with each "Powerbook" to make the best practices available to all and to encourage the sharing of good ideas.

Moreover, innovative local occupational health and safety practices have also been identified and shared across the Group. Several of these practices were recognized with "Human Resources Initiatives Awards", underscoring the inclusion of health and safety aspects in the corporate human resources and social policy.

A joint commitment

The reinforcement of prevention and analysis of accidents are essential to labor relations. In 2019, 12.6% (√) of agreements signed related to 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.

Raise awareness and train

Training is one of the five pillars of the occupational prevention, health and safety policy. In 2019, nearly 60% of Veolia employees received safety training, and nearly 42.3% of training hours were devoted to safety.

In 2019, the Group Prevention, Health and Safety Department implemented a development program entitled *OHS Skills*. This program aims to reinforce the knowledge and skills of the health and safety network, to provide them with the best tools to support managers with decision-making, and also to involve employees as close as possible to situations in the field. In 2019, during the pilot phase, 40 experts started training in France, 10 in Latin America, and 10 in the United Kingdom; this training will continue in 2020.

Example of safety training best practice: SARP designed a video combining real images and 3D effects to raise awareness amongst teams regarding safety. Virtual technology provides more opportunities to view inside a pipe and simulate serious accidents. The video is shown to all new employees who then receive an evaluation which affects their later assignment to projects.

Analysis to prevent risks

The Group is particularly attentive to employee awareness and the monitoring of at-risk situations and near misses.

The Prevention, Health and Safety Department uses the Bird pyramid to prevent accidents, which has five levels:

- near misses, unsafe acts, unsafe conditions (base of the pyramid);
- first aid injuries;
- medical treatment injuries;
- ost time injuries;
- fatalities.

The resulting analysis helps prevent risks based on the following assumption: "the higher the number of near misses, the higher the probability that accidents will occur".

The Group has also had "safety alerts" for many years for prevention purposes. In the event of a workplace accident, the health and safety coordinator sends the Group Prevention, Health and Safety Department a record using a template detailing the circumstances, consequences of the event and the corrective measures put in place (human, organizational and technical). These safety alerts are then shared with the entire prevention, health and safety network, and more broadly on the Group intranet.

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 main theme of the 2019 edition was "working for a better future".
Objective: To illustrate what parents should and should not do to ensure they return home safe and sound, and to allow each employee to discuss this essential topic with their family. Following its success in 2018, a new creative competition aimed at children entitled "my future challenge" was launched as part of this week.
In practice, this fifth edition also focused on behavior ensuring health and safety in the workplace.
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 two hundred health and safety initiatives. It also served as a lever for meeting the "zero accidents" global challenge.

Monitoring of temporary staff and sub-contractors

Suppliers are also expected to take steps to guarantee the health, safety and well-being of their employees in accordance with the Supplier Charter. 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.

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.

In this respect, Veolia has monitored the sub-contractor frequency rate since 2018. Sub-contractors share accident "safety alerts" with the Prevention, Health and Safety Department when accidents occur in the Veolia global scope.

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 Occupational Health and Safety (OHS) policy, health and safety management, risk management, 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 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 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 and assess the performance of these companies.

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 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.

In 2019, 147 employees had an occupational disease. However, the information on occupational diseases can vary due to differences in local practices and regulations.

Well-being in the workplace

In France, the approach to quality of life in the workplace incorporates procedures to prevent psychosocial risk factors. 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. Various 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.

In North America, a social protection access system which benefits all its employees has been implemented via a wellness program.

The health and well-being approaches are adapted to the context and maturity of the countries where Veolia operates.

Sport: a source of well-being and development

Because Veolia's Purpose underlines the importance of health, safety but also personal development, the Group relies on sport as a source and driver of health and well-being in the workplace.

Sport helps underline and promote Veolia's ethics and values: Responsibility, Solidarity, Respect, Innovation and Customer Focus.

Veolia provides a specific and common definition of sport by creating a new Sport identity in all Group countries, with the name "So'Sport", a logo, a slogan, statements, etc.

In the different Veolia zones, countries and sites, there are various sports and well-being initiatives which help unite, bring together, share and reinforce the feeling of belonging to the Group.

Veolia provides the opportunity to take part in annual national, European and global sports events, like the last national games in Martinique in May 2019 and European games in June 2019 in Salzburg, where 180 athletes from over 40 countries took part and won a national and European title.

Over 3,000 Veolia employees have taken part in the different Diversity races since 2014, including 750 participants during the most recent, which took place in September 2019 in Vincennes, France.

Monitoring prevention, 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.

	2017	2018	2019
Lost time injuries	2,907	2,611	2,631(v)
Calendar work days lost due to workplace accidents	16,5621	142,694	146,322(v)
Injury frequency rate*	9.55	8.47	8.12(v)
Injury severity rate*	0.55	0.47	0.45(v)
Number of employees trained in safety	94,552	99,403	106,131
Number of authorities dedicated to the study of health and safety issues	1,935	2,004	1,969

* *Including the Chinese concessions.*

6.4.3.2 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.

The average work-week is 39 hours (√).

In 2019, the total number of calendar days of absence was 2,454,755 days (√), including 1,695,332 days of absence for sickness. Other reasons for absence were mainly workplace accidents and family events. The total number of overtime hours worked was 16,317,530 (√), *i.e.* an average per employee of 95 hours of overtime 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

	2017	2018	2019
Absenteeism rate (excluding maternity and paternity leave)	4.11%	4.16%	4.08% (√)

6.4.4 ENCOURAGE EACH EMPLOYEE'S PROFESSIONAL DEVELOPMENT AND COMMITMENT

6.4.4.1 Risks and opportunities

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. Veolia's performance partly depends on its ability to attract and retain talent and manage risks linked to the availability of skills which it needs (see Chapter 5, Section 5.2.2.2 above).

The Group is convinced that the motivation and mobilization of the Company's staff is an asset and a genuine competitive advantage. 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.

6.4.4.2 Policy and commitments

Commitment 8	2020 Objectives	Sponsor
For the Company's men and women Encourage each employee's professional development and commitment	• Deliver training to over 75% of employees annually • Maintain the manager commitment rate at over 80%	Mr. Jean-Marie Lambert, Member of the Executive Committee, Group Human Resources Director

6.4.4.2.1 Train and develop skills

Veolia has an ambitious training policy, whose main challenges are:

- 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;
- anticipate the renewal of key skills, notably through work-study training;
- encourage commitment and sharing of a common culture.

Training for all

Training is aimed at all staff categories. It starts at induction for new employees and continues throughout their career. It seeks to develop and adapt their skills to the constantly changing requirements of our businesses, through recognized courses that lead to certifications and accreditations, job mobility and career development. For this purpose, it relies on a network of expert contributors made up of Group employees.

Partnerships and Networks

The Training Department relies on the network of Campuses to implement its policy. This network is local and aims to develop training courses which meet the Group's professionalization requirements in collaboration with public authorities or teaching organizations in France. The creation of apprentice training centers, certificates and degrees such as professional bachelor's degrees or master's degrees are examples of this policy. Through its close local ties, it encourages local integration policies through an agreement with public institutions and associations. It contributes to the Group's social accountability policy.

Work-study policy

Work-study contracts are a key recruiting tool for helping young workers into stable employment and to promote its employees, particularly in France, the UK, Colombia and Germany. At the end of 2019, Veolia had neatly 3,050 trainees on work-study contracts. Work-study encourages the transfer of knowledge and key skills thanks to intergenerational exchanges between the tutor and their trainee, and develops corporate culture through professional promotion. By placing Group employees in a tutor role, it reinforces the feeling of belonging to the Group, whilst providing a tangible avenue to promote their expertise.

6.4.4.2.2 Manage careers: sourcing, identification and development tools

A department dedicated to career management

The Group Human Resources Development Department seeks to attract and retain talent throughout the world and facilitate the assessment of managerial performance. 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 the human resources management policy. Its implementation relies on various processes and tools.

A common job appraisal tool for all the Group's businesses

A unique classification tool was deployed for all management roles (Global Grading System, developed by the firm Willis Towers Watson). By positioning the different positions within the organization, this tool enables objectives to be set according to their relative impact. This common job grading methodology supports professional mobility and helps organize HR processes with transparency, fairness and performance management in mind.

The deployment of this classification continued in 2019 and will be finalized during 2020.

6

Sourcing

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. Since late 2019, this publication is not limited to the offers available on a standard tool, but also management offers published locally.
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 business lines. The program relies in large part on the International Business Volunteers (VIE) contract.

Identification

A renewed talent management process

Since 2017, staff reviews common to all entities are organized for executives, key contributors and high potential employees, notably to develop succession plans and to implement a development plan to retain the managers of the future. The sharing and implementation of this common methodology aims to consolidate organizations' sustainability and agility, and to help with the individual development of the most talented employees.

This methodology, which is currently used for Top Management, will be expanded at local level.

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. Job safety is a priority objective for Veolia. All employees can contribute to achieving the zero-accident objective, by reporting or preventing a dangerous situation, or avoiding accidents. For this purpose, each employee makes a health and safety commitment, which is formalized during their annual interview. Veolia's values naturally have their place in this objective.

Development

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, collaborative workshops and a post-seminar follow-up. It also includes a 360° evaluation that is debriefed by internally trained individuals. Over 120 managers participated in this program in 2019.

Three other collective individual development programs are deployed by the Veolia Group.

- DISRUPT is a program aimed at "millennial" managers to accelerate their integration within the Group;
- ACCELERATE is aimed at middle management as part of the digital transformation. This program allows participants to better understand the possibilities of this transformation and to develop the required interactions with Group businesses. This program should help change behavior by allowing managers to become the business partner of other Veolia players and to see the bigger picture in order to better anticipate future challenges;
- WIL (Women in Leadership) is specifically organized to develop female leadership in relation to the Group's ambitious gender diversity targets (see section 6.4.5.3.2 below).

These programs include staff development tools (MBTI, 360°, Self Management Leadership). The Group is mindful of allowing its talents to have personal alignment as well as sharing a common strategic vision.

Other programs of this type are offered by the zones such as *Impulsa* in Latin America, *Nest* in Northern Europe, *Stream* in Asia and *Relief* in France. 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.

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. Trainees complete the program with a project related to the Group's strategy, which they present to the Executive Committee. Veolia is particularly focused on including a significant portion of women in training schemes aimed at talents and managers. In 2019, nearly 40 employees took part in this program.

6.4.4.2.3 Engage employees

Manager's Code of conduct

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.

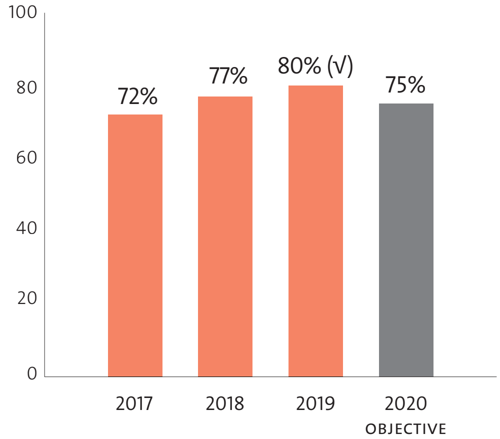
In order to strengthen cohesion and solidarity in the Group's general interest, Veolia established the Manager's Code of conduct in 2012. It is based on the Group's five values: responsibility, solidarity, respect, innovation and customer focus. For each of these values, the Code reflects the Group's collective commitment and the cooperative and individual conduct expected of managers, which they must promote with their teams.

6.4.4.3 Actions and results

Training indicators

In 2019, 79.5% (√) of employees participated in at least one training course.

Percentage of employees who participated in at least one training course



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Change in worldwide training indicators

	2017	2018	2019
Number of training hours effectively given	2,675,375	2,888,774	3,081,137
Average number of training hours per employee	16.7	17.8	18

A range of programs was developed by in-house learning specialists, trainers and contributors based on Group strategy and input from Corporate and Business Training Departments and local business units. As a result, the training on offer continually reflects the realities of the business and the field, as well as business development plans.

Veolia is dedicated to training all its employees; it is notable that over 83% of training hours are aimed at operators and technicians.

The Veolia Campus network operates in eight countries, has thirteen training centers and covers two-thirds of Veolia's operating regions. Since 2017, it has been the international training and development network with other major countries where Veolia operates. This network shares best practices, educational innovations, and different training programs. It also co-creates some international programs, such as the WIL (Women in Leadership) program.

Diploma training programs

The Group offers training which leads to diplomas and certificates. This approach aims to motivate employees by recognizing their existing skills, boosting their employability and acquiring new skills. 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 vocational Masters' degree and organized under work-study programs to better integrate trainees within Group 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

Veolia is both the main actor and the director of its training policy. The Group has various in-house trainers for core business activities. Striking a balance between permanent trainers and ad hoc contributors from within the Group's companies and external experts ensures the relevance of content and enhances cohesion, performance and added value. In-house trainers and participants are also responsible for conveying the corporate culture.

Educational partnerships

Veolia has deployed an active policy of partnerships with employment and training operators in the regions and a number of educational partnerships.

In the UK, Veolia 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.

Management programs rolled out in Northern Europe (NEST) and Asia (STREAM) are developed in partnership with Hamburg University and the EM Lyon Business School.

Employee integration

JIVE corresponds to a training and integration week aimed at newly recruited or promoted managers in the Group, across all business lines and countries. This international and cross-functional onboarding system aims to help them learn more about the Group, create an internal and international network, embrace Veolia culture and values and give meaning to their day-to-day activities to support a global strategy. This program is punctuated by discussions with professionals, meetings with managers, site visits and brainstorming meetings. In 2019, nearly 740 managers took part, including 35% women and 40% international managers from 40 countries.

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. These actions aim to consolidate Veolia's visibility with young graduates, to reinforce its appeal by positioning it as a responsible and innovative business.

The work-study option

The work-study 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. It facilitates the recruitment of candidates for local jobs, including people with no prior experience.

For this purpose, Veolia is one of the partner companies of the GAN France business network (Global Apprenticeship Network), a group of companies which works to employ young people and support apprenticeships, with the support of the OECD, the ILO and the FIPA network (Innovation Foundation for Apprenticeships).

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. Key elements of the Company's social fabric, they are offered courses focused on their business lines and specific situations. These operational training sessions aim to increase the professionalism of local managers and perfect their skills. They are rolled out by the different Group Business Units and countries, such as SARP and Waste recycling and recovery in France and the Sparks program in Poland.

Programs to train managers in specific challenges

As an example, a mobile training program covering all functions has been jointly set up for Veolia's Asia zone managers. The STREAM (Study and Training Expedition for Asian Managers) program 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.

Updated learning methods

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.

As an example, the Group's Compliance Department has developed and deployed e-learning training with the campus, dedicated to combating corruption, conflicts of interest and influence peddling. It is an essential aspect of the Group's compliance policy that each manager has a perfect understanding of the challenges of these issues and a reminder of the best practices to adopt.

This online training is an opportunity not only to underline essential principles, but also to raise all employees' awareness of these issues, by reminding them that the Group views the rules contained in its "anti-corruption Code of conduct" as crucially important. To date, nearly 14,000 employees have been trained.

Reinforcement of commercial development

As part of the commercial development center of excellence, a working group dedicated to skills development was launched, the Sales Academy. It contains twenty representatives of business units, reflecting Veolia's commercial diversity: geographic locations, types of sales, size and commercial challenges which the Business Units encounter.

This working group has already helped:

- identify a collection of skills, processes and tools with which teams should be familiar to cover the entire sales process. A list of 47 capabilities has been defined;
- compile a list of training sessions dedicated to the sales teams across the Group. 120 training sessions were listed.

In 2019, this dual mapping helped define the Group's development priorities and to produce seven training courses targeting the main commercial development contributors in each Group entities.

These courses are being deployed in two pilot Business Units, in China and in Italy, and over 1,000 people were identified within different BU for deployment in 2020.

Anticipating transformation and skills requirements (eRHgo)

eRHgo is a joint venture in the Lyon region based on the shared commitment of its founders: L'Olympique Lyonnais and Veolia. eRHgo is both a tool for innovative and responsible forward management of jobs and skills and an HR laboratory: the Group is firmly committed to this approach, which promotes equal opportunities by no longer using CVs. eRHgo is a tool to help operating staff make decisions. It helps refresh recruitment and mobility practices: opening up to different profiles, professional gateways.

The approach relies on observing capacities used on a daily basis in work or experience outside of work.

Employee 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%.

After three editions of the manager commitment survey in 2013, 2015 and 2017 with a panel of 5,000 managers, the Group designed and implemented a new survey in 2019 for an extended panel of 80,000 employees.

Entitled "Voice of Resourcers", this survey demonstrates Veolia's interest in the employee experience and ascertaining employee expectations in the field, their perception of the business and their professional situation.

«Voice of Resourcers» provides a new view of the social climate, providing key indicators on employee commitment and their understanding of the Company's vision, policies and culture.

«Voice of Resourcers» 2019 helps:

- supplement HR performance indicators at different levels of the organization (Group, zone, country);
- support managers by providing tools updated for interaction and feedback with teams;
- demonstrate, once again, the importance of HR innovation and dialogue with employees at Veolia.

The survey was conducted in 2019 with 80,000 employees based on a questionnaire reviewed and adapted to a large audience, broken down as follows:

- 5,000 key Group managers in 55 countries (questionnaire in 10 languages);
- all employees in 10 countries/Business Units: Germany, Argentina, China, France Water, USA, Morocco, Poland, Czech Republic, Waste Recycling and Recovery, United Kingdom.

The 5,000 managers were surveyed using an online form. The other employees had access to an online or paper questionnaire.

Opening up the survey to nearly 80,000 employees was an initial success in the majority of countries, with participation exceeding 82% for managers and 58% for all employees.

The 2019 results were strong overall, and reflect an organization in movement, where employees feel the changes. Overall, the strategic vision and trust are improving amongst managers, which have adopted the Purpose and see themselves in the "We are Resourcers" slogan.

Managerial commitment was 92% and the common indicator with teams in the 10 countries included in the survey is 84%: very high levels which benefit from support for the question regarding the meaning and relevance of Veolia in the 2019 index.

The commitment index is calculated based on questions relating to the clarity of working objectives, the usefulness of the contribution, the work atmosphere, pride of belonging and whether or not they would recommend working at Veolia to their friends and family.

The overall results of this survey were presented to the Group's Executive Committee and the Management Committee. The results per zone were sent to zone directors and human resources directors, which organize feedback with the surveyed employees.

Action plans will be established based on overall results and each zone's results, and will be implemented as part of the new strategic plan Impact 2023.

6.4.4.4 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 accordance with local markets;
- guaranteeing competitive fixed and variable compensation which reflects the Company's results;
- harmonizing the calculation bases and methods for the variable components of executive compensation across the Group;
- optimizing coverage of healthcare and insurance costs in the main countries where the Group operates;
- harmonizing existing employee savings plans;
- securing existing pension plans in the various countries where the Group operates by privileging defined contribution plans.

Compensation

The annual average gross compensation for all Group employees was €33,775 in 2019 (€33,614 in 2018).

In 2019, average gross compensation was €34,342 for men (€34,217 in 2018), and €31,473 for women (€31,184 in 2018), representing an average difference of €2,869.

This difference is mainly due to the distribution of men and women between different jobs. Women occupy 27.3% of managerial roles, which partially explains this difference in average salary. This is why Veolia has set ambitious targets to increase female representation in managerial roles: 30% by the end of 2020 (see section 6.4.5.3 below).

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. This data is also affected by variations in exchange rate.

It is Veolia policy to respect equality between men and women who have the same employment conditions and qualifications. For this purpose, the Group is particularly vigilant regarding the application of a fair wage policy.

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).

In France, a standardized Group scheme in terms of healthcare costs was deployed from 2017; it now covers over 7,000 employees. For additional healthcare and insurance plans, all Group managerial staff receive, in addition to coverage provided by external insurers, additional coverage based on a unique scheme in the event of death or accidental disability at work. This additional coverage is entirely funded through captive insurance by a wholly-owned Veolia Environnement subsidiary.

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 the 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.

In 2019, Veolia launched an audit of its international social protection systems, which aims to study the opportunities to standardize and implement minimum coverage. An initial stage was reached in 2019 with the United States, the United Kingdom and Canada, which were audited and which now have largely standardized schemes. The objective of this audit is to have covered countries where the Group has significant activities by the end of 2021.

For example, 2019 contributions for the 51,113 Group employees in France totaled nearly:

- €59.04 million for healthcare costs;
- €35.60 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 fulfill 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 2019, profit-sharing and incentive payments for the French entities including Veolia Environnement, in respect of 2018, totaled €51 million. Amounts invested in 2019 by employees of French entities in respect of 2018 profit-sharing and incentive payments totaled €23.8 million, or 46.7% of the sums distributed.

Added to this amount is a contribution from the Group's French entities amounting to €2.7 million. At the end of 2019, nearly 80% employees of French entities were covered by an incentive agreement.

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 plan allows employees who so wish to prepare for retirement under advantageous tax and social security conditions.

At the end of 2019, employee savings in France in the two Group savings plans totaled €441 million broken down as follows:

- €400 million in the PEG held by 72,670 current and former employees;
- €41.2 million in the PERCO G held by 30,215 current and former employees.

Company investment funds invested in Veolia shares (employee share ownership) total €204 million in 2019 and are held in the PEG.

The range of dedicated company investment funds (monetary, equity, bonds, and diversified) totaling €237 million is held in the PEG and the PERCO G.

Employee share ownership

The last transaction took place in 2019. It was offered to 143,633 employees [(1)] in 30 countries (across Asia, Oceania, Europe, North America and Latin America). Subscriptions totaled 43,502, representing a subscription rate of 30.29% Group-wide, with rates in excess of 80% in several countries, including South Korea (99%), Hungary (99%), Romania (98%), China (90%), the Czech Republic (87%), Hong Kong (83%) and Slovakia (83%). Accordingly, the total amount subscribed was €25.2 million [(2)], including the Group's additional contribution.

As of December 31, 2019, over 100,000 Group employees were Veolia Environnement shareholders, holding 2.04% of its share capital.

Moreover, in May 2019, 232,280 free shares, *i.e.* 0.04% of the Company's share capital, were given to all employees in France (46,456 beneficiaries).

(1) Including the UK, with deployment of a Share Incentive Plan.

(2) UK excluded.

Performance share plan

In 2019, Veolia deployed a performance share plan aimed at over 420 beneficiaries, including executives, high potential staff and key Group contributors, including corporate officers. This plan, which was launched in 2019 with an expiry date in 2022 following the publication of the 2021 financial statements, replaces the plan granted in 2018. The conditions for granting performance shares are subject to the following conditions:

The grant of performance shares would be subject to the following conditions:

- beneficiaries must remain with the Group until the end of the three-year vesting period *i.e.* until expiry of the plan scheduled for 2022;
- a performance condition tied to the attainment of the following internal and external criteria:
  - an economic criterion,
  - a stock market criterion,
  - CSR (Corporate Social Responsibility) criteria.

These elements are detailed in section 7.4.3 below.

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.

6.4.5 ENSURE RESPECT FOR DIVERSITY AND SOCIAL COHESION

6.4.5.1 Risks and opportunities

Social cohesion and stability, respect for diversity and equal opportunities and the fight against discrimination are all very important to the Group. Veolia considers diversity and social cohesion as an asset and a driver of performance. Moreover, the Group views diversity as a priority, as it ensures internal cooperation, commitment and employee loyalty.

Non-compliance with human and social rights has a direct impact, leading to labor disputes, disengagement and damage to the employer brand (see Chapter 5, Section 5.2.2.2 above).

Consequently, Veolia aims for innovative and respectful labor relations with its internal stakeholders, which allows it to provide collective solutions.

6.4.5.2 Cohesion and social dialogue

6.4.5.2.1 Policy and commitments

Veolia is particularly vigilant regarding labor relations, 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 Purpose, Veolia encourages social dialogue, particularly within staff representative bodies, which help employees to adopt the collective project. Mr. Antoine Frérot and the Group Human Resources Department met the French and European trade union and employee representatives on two occasions to share and discuss the definition of Veolia's Purpose in February and April 2019.

Commitment 8	2020 objective	Sponsor
For the Company's men and women 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	Mr. Jean-Marie Lambert, Member of the Executive Committee Group Human Resources Director

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 place for negotiations on many issues that impact employees' daily lives. Within Veolia, 1,247 (√) labor agreements signed with business units supplement the Group directives and agreements;
- at country level, which includes the formal structures for consultation and dialogue that handle all transversal national issues;
- at Group level in the corporate offices and with the Group French and European Works Councils.

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.

The agreements to create Group French and European Works Councils were both subject to an agreement reviewed in 2015. Taking into account the change in the Group's scope and the experience gained from the previous agreement helped bolster and modernize Group labor-management relations in France and in Europe.

Role of the Group's Committees

Through an agreement, Veolia has implemented a Group French Works Council and a Group European Works Council. The Group European Works Council represents more than two-thirds of Veolia employees. It is made up of 16 countries: Belgium, Czech Republic, Denmark, France, Germany, Hungary, Italy, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Spain, United Kingdom.

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 France level and agreements in the form of joint commitments made under the Group European Works Council demonstrate the will of Executive Management to structure unique relations with employee representatives and thus contribute to the Group's actions on behalf of all its employees.

Annual discussion on Group strategy with the Group French and European Works Councils

Since 2015, management meets every year with members of the Group French and European Works Councils to discuss the Group's strategic guidelines and its HR impacts. This annual discussion provides a shared understanding of the strategic and commercial challenges and their impacts on the workforce, employment and skills.

Support for changes in jobs and skills

In 2018, members of the Group European Works Council and the Group Human Resources Department signed an agreement in the form of a letter of undertaking regarding support for changes in jobs and skills in relation to the Group's strategic guidelines. This letter of undertaking results from a working group made up of representatives from different European countries.

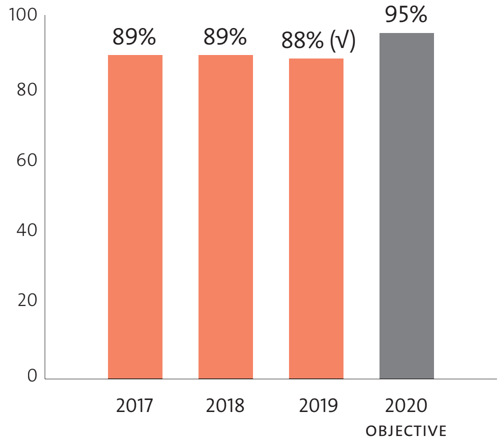
Ten commitments were defined, notably for skills and their renewal or adaptation, workplace equality, the impact of digital on work and passing on knowledge between generations. These are to be supported and promoted *via* country social dialogue spaces, aiming to implement specific actions encouraging:

- a shared understanding of Group strategy and its adaptation to different countries;
- establishment of social diagnoses to objectively take advantage of changes in jobs and skills;
- the definition of appropriate action plans in view of identified economic and social issues.

6.4.5.2.2 Actions and results

Change in the rate of coverage by a social dialogue body

In 2019, 87.7% (√) of employees were covered by a social dialogue body.



Overview of collective agreements

In 2019, nearly 1,250 new collective agreements were signed at entity or company level or with Group bodies in each country. All of these collective agreements impact the Company's labor and therefore economic performance.

Breakdown of issues covered by signed agreements at global level

Compensation and benefits	Health, safety or working conditions (√)	Organization and working time	Social dialogue	Skills development	Other
32.9%	12.6%	27.3%	14%	5.7%	7.5%

These agreements have been signed in 40 countries where Veolia operates. The 5 main countries are France, Japan, Germany, Poland and Slovakia.

At the end of 2019, there were 7,640 (√) employee representatives worldwide.

There were 204 strikes in 2019, representing 0.02% of the total number of days worked.

Group France agreements and commitments given by the Group European Works Council

Pursuant to the securitization law, two Directors representing employees were appointed in 2014 by the Group French and European Works Councils respectively, to sit on the Veolia Environnement Board of Directors for four years, until October 15, 2018. Mr. Pavel Pasa was reappointed by the Group European Works Council in May 2018. In September 2018, Mr. Franck Leroux was elected by the Group French Works Council. Their terms of office will end in October 2022 (see Section 7.1.1.2 below).

An agreement on the quality and the development of labor relations within Veolia in France was signed in early 2020. This Group France agreement, which replaced the 2010 agreement on the same topic, notably included the implementation of a comprehensive support, promotion and recognition system as part of the trade union scheme.

Amendment 2 to the 2016 agreement covering the setup of a Group retirement savings plan (PERCO) was signed in April 2019.

An agreement was signed in the form of a letter of undertaking with the Group European Works Council in 2018 on changes to skills and jobs, particularly with regards to the Company's strategic direction. This agreement supplemented the Group's management commitments with the Group European Works Council on prevention, health and safety.

As part of the 2015 agreement on the Group's strategic direction, representatives of the Group French Works Council, French trade union representatives and members of the Group European Works Council met in April 2019 to discuss Group strategy and its social consequences, in the presence of executives in charge of strategy and operations. These two days of discussion led to additional questions and answers presented during plenary sessions. On this occasion, the themes of ethics, the Sapin 2 law and the corporate duty of care were presented and discussed.

An agreement on the generation contract for the Group in France was renewed on November 15, 2017, in line with the one signed in 2013. It focuses specifically on the integration of young people and the employment of older people.

A new Group France agreement on the forward management of jobs and skills was signed on March 7, 2017.

A 2015 Group France agreement clarified the means of exchanging points of view on the Group's strategic direction within employee representative bodies.

Training of trade union partners

Training employee representatives in the performance of their duties is key to high quality social dialogue on the Group's economic and human resources issues. 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. As part of the implementation of a European letter of undertaking signed on May 30, 2018, members of the Group European Works Council received training in 2019 entitled "How to implement the European letter of undertaking regarding support for changes to jobs and skills" to allow them to share existing national practices in the matter, prepare to circulate and support the letter of undertaking within social dialogue spaces in each country and anticipate priority work on the commitments.

Central French trade union representatives can receive training leading to a certificate established in partnership with Sciences Po Paris and the "Dialogues" association. Under the 2010 Group France agreement, reviewed in 2020, 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 Group human resources management. The new agreement on the quality and development of social dialogue signed in 2020 also includes a general system for union career management and to support representatives at the end of their mandates.

Adherence to the Global Deal

In accordance with its commitments to sustainable development, notably commitment 9 regarding diversity and fundamental human and social rights, Veolia has adhered to the Global Deal.

The Global Deal is a platform created by the Swedish government, publicized by the French Ministry of Labor and developed with the ILO and OECD, partners and founders of the Swedish initiative. It aims to tackle the challenges of a global economy and labor market by reinforcing a balanced and responsible approach through social dialogue.

The Global Deal brings together different stakeholders: governments, companies, unions and other organizations at national, local and global level.

Adherence relates to three key areas: a voluntary commitment, sharing knowledge to create an open and responsible social dialogue, and sharing best practices between Global Deal stakeholders. Veolia's commitments and initiatives, as well as its monitoring and evaluation of social dialogue initiatives, were mentioned in the "Global Deal flagship reports" published jointly by the OECD and the International Labor Organization. This publication explains how social dialogue is a response to current challenges in the labor market and global economy.

Veolia participates actively in Global Deal France working groups, notably on the future of work and changes to skills. Veolia's international skills-based labor relations experience was presented as part of the publication "members of the global deal commit to the social G7".

6.4.5.3 Promotion of professional equality and diversity and the fight against discrimination

6.4.5.3.1 Policy and commitments

Diversity policy and inclusion

Diversity is an integral part of sustainable development commitments. The Group undertakes to guarantee that diversity and fundamental human and social rights are respected within the Company.

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 Mr. 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.

Three priorities have been defined:

- guarantee fair and non-discriminatory human resources processes;
- guarantee non-discriminatory access to employment (age, disability, gender, etc.);
- guarantee the advancement of social dialogue and employee freedom of speech.

Two priority areas of action:

- guarantee the development of diversity and gender equality;
- accompany Veolia's internationalization.

Diversity approach

The diversity policy is supported by a global network of officers whose duties are to:

- implement commitments with regards to local issues;
- establish diagnoses and action plans adapted to contexts;
- measure results;
- promote innovative actions which support Veolia values.

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 in management recruitment, 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.

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;
- women to make up 30% of managers in 2020;
- women to make up 25% of executives in 2023 and 40% in 2028.

Diversity at the heart of social dialogue

As part of the Group European Works Council, a working group was created with representatives from different European countries to identify diversity themes and priority actions to be shared within the Country's Labor Relations Spaces. These diversity priority actions will supplement the ten priority actions in the European letter of undertaking on support for Business changes and skills signed in May 2018. Equal treatment and disability is one of the priority actions identified in this regard.

Support for the United Nations LGBTI standards of conduct for business

In accordance with its CSR commitments, its human rights policy and its adherence to the Global Compact, Veolia supports the United Nations standards of conduct for business regarding combating discrimination against the lesbian, gay, bisexual, transgender and intersex community. These five standards were developed by the United Nations High Commissioner for Human Rights.

A commitment to inclusive growth

On the launch of "Business for Inclusive Growth" in August 2019, an initiative coordinated by the OECD for inclusive growth, Mr. Antoine Frérot, underlined the commitment by the entire Group to inclusive growth.

Mindful of the fact that inequalities are reaching record levels, a coalition of 34 major international companies (including Veolia) pledged to implement specific actions to advance human rights throughout their value chains, to create inclusive working environments and reinforce inclusion within their internal and external ecosystems. This initiative will extend and supplement the efforts deployed by G7 countries to promote equal opportunities, resolve regional disparities and combat gender discrimination.

6.4.5.3.2 Actions and results

Roll-out of diversity commitments

Numerous actions have been taken to promote Group diversity and are notably developed *via* the human resources initiatives process. In 2019, 51 countries contributed to collecting human resources initiatives, with more than 310 projects identified. Around ten of these projects were presented in the social accountability, diversity and cohesion category; 13 are highlighted in the publication "Human resources initiatives in 2019". The prize in this category was presented to Colombia for an initiative aimed at reconciling the integration of vulnerable people and environmental protection. Human resources initiatives will be collected again in 2020.

Long-term partnerships

The Group is a partner and/or a member of various organizations that promote diversity and equal opportunity, notably the UN Global Compact.

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, current female engineers or technicians or representatives, male engineers or technicians. The accounts of these professionals on the reality of their career paths demonstrates that technical jobs are open to young girls. This partnership extends the actions deployed by the Group's Relations with Schools and Universities Department.

As part of this partnership, Veolia took part in the "Girls on the Move" initiative launched throughout 17 countries during the week of Friday, March 8, 2019. Over 40 events were organized by different Veolia entities across five continents (site visits, school events, etc.) to demonstrate to young girls that they could also work for Veolia. These activities were carried out with over one thousand seven hundred young girls, with the assistance of nearly 200 Veolia participants worldwide. Veolia now has nearly 130 female sponsors in France.

Veolia has also partnered with the French Association of Diversity Managers (AFMD).

Sport as a driver of diversity

Veolia relies on sport and its values to promote diversity. During the traditional annual Diversity Race in September 2019, 750 men and women from Veolia France entities represented our Group to celebrate diversity, solidarity, cohesion, health and well-being through sport. There have been nearly 3,000 participants since Veolia first took part in the Diversity Race in 2014. Veolia is involved in this event through its partnership with the French Federation of Corporate Sports (FFSE), and an increasing number of employees are taking part.

Diversity within the Group

In 2019, 21.1% (√) of Group employees were women, including 27.3% (√) of managers, and 18.2% of executives. Since 2016, Veolia has met the 2017 French legal obligation to have at least 40% women on its Board of Directors. In 2019, 45% of Directors were women [1].

Several initiatives promoting gender equality in the workplace have been rolled out in the various countries where the Group operates:

- the WEDO network: Veolia's internal gender equality network launched in 2016, bringing together Veolia's men and women who wish to promote gender equality within the Group. This network, sponsored by two members of the Executive Committee, has over 2000 employees from 48 countries at the end of 2019. The network now has around twenty local networks across 5 continents, responsible for discussing and implementing local action plans. An initial seminar bringing together around ten of these networks was organized in December 2019 in Brussels to share existing initiatives and collectively discuss those to be implemented;
- a development program entitled "Women In Leadership" launched by Veolia in North America and progressively rolled-out in other geographic zones: Europe (France, United Kingdom, Ireland, Germany, Spain, Belgium), Africa (Morocco), Latin America and the Middle East. This 9-month coaching program seeks to create development opportunities for women managers in the organization. It coached 60 women in 2019. The success of "WIL" is demonstrated by its high satisfaction rate. In 2019, the program obtained a satisfaction rate of 86% from participants and 86% of their managers. These results are supplemented by an NPS of 66/100, which means that most participants recommend the training to other women in the Group;

In line with its commitment to combat workplace sexism signed in France in 2016 by Mr. Jean-Marie Lambert, the Group Human Resources Director, an online module to raise awareness and combat everyday sexism was launched in late 2019 for operational implementation with a pilot group of 1,000 people in France. This module supplements the awareness actions already conducted within several Veolia entities. (*e.g.* awareness program launched in 2018 by Recyclage et Valorisation des Déchets);

In 2019, Veolia took part in a survey in France supervised by the High Council for Workplace Equality (CSEP) which considers parenting at work. It was deployed online with all employees in France. This survey helped draw lessons to supplement its existing action plans or to create new systems in favor of a positive work-life balance. More than 7,500 employees in France participated in this survey.

For the male/female professional equality index that companies with over 250 employees in France are required to publish, the results of Veolia entities in France are mostly above 75/100 (legal minimum), with an overall index at 82/100. This result reflects Veolia's efforts over many years to create appealing and adapted conditions to allow women to reach the same level of pay and career opportunities as men.

Employment and social integration of persons with disabilities

At the end of 2019, 2.58% [2] of Veolia employees worldwide had disabilities, *i.e.* 3,579 employees. In France, this rate was 3.9% [3] and €10.4 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. 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).

(1) Excluding Directors representing employees in accordance with the AFEP-MEDEF Code.

(2) Number of employees with declared disabilities compared to the total workforce as of 12/31 in countries where it is possible to declare disability.

(3) Number of employees with declared disabilities compared to the total workforce as of 12/31 in France.

On November 18, 2019, Veolia signed the "Manifesto for the inclusion of disabled people in economic life", a charter of operational commitments already ratified by around sixty companies in France to:

- offer an improved welcome to disabled students (internships, work-study contracts);
- combat stereotypes and discrimination;
- develop digital access to workstations;
- support Adapted businesses and Specialized work-based assistance institutions (ESAT);
- include HR criteria relating to disability in calls for bids.

Veolia has been mindful of disability issues for many years, and deploys actions in different countries where the Group operates.

In 2019, several Group entities in different countries implemented action plans and deployed awareness campaigns to better acknowledge people with disabilities, in accordance with the legal framework in each country.

In Ukraine, in accordance with Ukrainian legislation, 4% of Veolia employees have disabilities. They receive additional days off and hold part-time roles or jobs with special work conditions.

In Sweden, Veolia collaborates with the Swedish organization Samhall which encourages the employment of people with a functional impairment reducing their working capacity. These employees work based on their personal abilities.

In France, during the 23rd Week for the Employment of People with Disabilities, the Disability Unit of the Veolia entities located at Aubervillers organized an awareness-raising event on hearing health, by inviting employees to take part in an anonymous online screening test to detect potential hearing problems, to register for a face-to-face meeting with a hearing professional and to take part in awareness-raising workshops. Other awareness-raising actions were implemented by other Group entities (SARP, Water IDF, VEDIF and RVD IDF): workshops on 'dys' issues, a giant disability game, theater outings (CO-Théâtre + Grain2Folie), a Disability and Prevention unit with Klesia, a focus on job retention with the occupational doctor (CMIE) and the Managers unit.

Based on an action implemented by Veolia Spain, Portugal made an external and confidential service available to employees which allows them to respond to their queries about disability and to receive advice on the possibility of having some of their difficulties or limits recognized as a disability.

Development of inter-generational relations

In 2019, 20.9% of the Group's workforce were seniors (over the age of 55) and 13.8% were young (under the age of 30). 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.

As part of renewal of the generation contract in France, the Human Resources Department developed an e-learning course in collaboration with the Campus in 2018 entitled "Acting as a mentor for young people *via* a generation contract". This e-learning for mentors should allow them to understand the generation contract and its objectives, particularly at Veolia; Measuring the complexity of the environments which a young person joins, indicating the role and duties of the mentor and finally preparing, formalizing and tracking the young person's on-boarding and integration process.

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 situations.

Promoting diversity and employee commitment

In China, Veolia organizes *Ethnic Days* in a plant to encourage the cohesion of 11 minorities working within its teams.

In France, SARP launched the second edition of its Olympiads, a team challenge which unites all the subsidiary's branches around nine events in relation to working safety and performance. Promoting business and team know-how and discussing working methods to improve and encourage teamwork are the objectives of this challenge.

Veolia Water Technologies organized the *Annual Sports Day* in 2018 in Riyadh (Saudi Arabia) to promote teamwork, encourage acceptance of diversity, mutual respect and to develop a good working atmosphere.

Supporting the most vulnerable employees

Wherever the Group operates, Veolia encourages outreach activities to help the most disadvantaged employees.

For this purpose, in Ecuador Veolia has created outreach funds for employees to help them with health, housing, funeral costs or family emergencies. The Company pays a monthly contribution similar to the amount paid by employees. Since the funds were created, 495 grants have been awarded.

In Colombia, the Veolia team have created a new "Environmental Observers" position which is aimed at employees suffering from health problems who are no longer fit to perform their duties. Their role is to maintain and smarten up waste collection points, clean green areas and discourage flytipping.

In France, the Veolia South-West Campus has implemented a professional integration project for refugees *via* apprenticeships. The project, which is in collaboration with the Hautes-Pyrénées prefecture, the association Atrium FJT and the Tarbes local mission, has helped recruit 3 refugees *via* an apprenticeship scheme, with a view to their hiring in 2020.

Along with a group of businesses, Veolia works alongside the OFII (French Office of Immigration and Integration) to integrate recognized migrants, particularly through work-study contracts. Several working meetings resulted in a joint recommendation by the group of businesses and the OFII.

An active outreach plan

For many years, an Active Outreach Plan has been deployed in France in consultation with trade union and employee representatives to support the most vulnerable employees in view of the social context. Alongside this, an employee listening and support system has been established under the name “Allô Solidarité” to offer assistance during difficult periods.

Today, employees in France have access to a telephone platform that allows them to discuss their social challenges with professionals.

In 2019, around 500 calls were received, mainly about housing and financial issues.

The partnership with the “Vivons Solidaires” association, since September 2010, helps to tackle social emergencies. The association receives many requests for assistance with emergency housing, food donations, and children’s aid. This association is represented by Group management and trade union organizations which sit on its Board of Directors.

6.5 Ethics and Compliance

Veolia Environnement considers ethics and compliance to be inextricably linked.

The Group is therefore attentive to compliance with these values and rules of conduct relating to human and social rights and business ethics set forth in international laws and treaties in the 54 [(1)] countries where it is present. This approach fits naturally with the Group’s Purpose, in the same way as consideration of cultural diversity and preserving the environment. The Company makes every effort to promote these issues among all of its stakeholders.

The Groups rolls out ethics and compliance policies aimed at preventing ethical, legal and reputation risks through compliance with applicable standards, to ensure the implementation of its values.

6

6.5.1 ETHICS

6.5.1.1 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”. The most recent version of this Guide, issued in December 2018, includes the presentation of the new Group Ethics Whistleblowing system, implemented in response to the recommendations set out in the Sapin II law of December 9, 2016, the law of March 27, 2017 on the corporate duty of care, and the GDPR general data protection regulation. This system supplements the whistleblowing mechanisms levels implemented in the Business Units.

It is designed as a reference document for the conduct of all Group employees at all management levels and in all countries where the Group operates. The anti-corruption Code of conduct is appended.

The Ethics Guide sets 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, by developing employee skills and improving occupational health and safety;
- **community spirit:** 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 Code of conduct for managers 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 customers, the environment and society;
- **customer focus:** seek ever greater efficiency and quality in our services, listen to customers and strive to fulfill their technical, economic, environmental and societal expectations through our capacity to provide appropriate and innovative solutions.

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

6.5.1.2 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 renewable four-year term of office.

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, social and legal frameworks in the countries in which they operate.

It is vested with the authority necessary to perform its duties with regard to Veolia Group 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 can be supported by the Internal Audit Department and all other 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.

Since 2004, any employee who believes there has been a failure to comply with the values and rules of conduct set forth in the Ethics Guide and who believes that informing his or her line manager may cause difficulties or is not satisfied by the latter's response, can refer the matter directly to the Ethics Committee.

In this context, the Ethics Committee is responsible for managing the new Group Ethics Whistleblowing tool in force since January 15, 2019 and based on a secure platform enabling whistleblowers to report in over twenty languages. An information campaign informed employees of the launch of this tool and was rolled out in all zones by the Internal Communications Departments. This whistleblowing system was opened to third parties in early 2020.

As in the past, a whistleblower may also refer any matters within its remit to the Ethics Committee and in particular any actions considered to represent corruption or influence peddling, using all means available.

While the Ethics Committee does not recommend that whistleblowers remain anonymous, employees and third parties may do so if they wish by using the secure digital platform.

The Ethics Committee will safeguard the rights and interests, not only of the whistleblowers, who it will protect throughout the investigation, but also of the accused parties. The Committee communicates reports that appear within its remit to the Compliance Department and particularly issues covered by the Sapin II law and the corporate duty of care. It can also be assisted by country alert delegates in its investigation.

The Ethics Committee reports annually on its activities to the Veolia Environnement Board of Directors.

6.5.2 COMPLIANCE

6.5.2.1 Strategy and organization

The Group's Legal Department, which was historically responsible for compliance within the Group, transferred a large portion of its duties in this area to the compliance function at the end of 2017. In early 2018, Veolia created a Compliance Department, which reports directly to the Chairman and Chief Executive Officer. It is responsible for identifying and preventing compliance risks as well as compliance with procedures in the following areas:

- combating corruption and influence peddling;
- money laundering and terrorist financing;
- corporate duty of care;
- violations of human rights and fundamental freedoms;
- environmental breaches;
- anti-competitive practices;
- personal data protection;
- conflicts of interest;
- general lobbying framework;
- insider trading;
- fraud.

The Compliance Department is responsible for strengthening the compliance culture within the Group and its relations with third parties to protect it against the risks of non-compliance. To this end it uses all the tools at its disposal: standards, procedures, compliance programs, training and awareness campaigns, etc.

Specifically, the Compliance Department supervises the creation, updating and distribution of all standards: the required charters, guides, codes, policies and procedures linked to its compliance programs. It relies on a network of Zone Compliance Officers (ZCOs) to provide Business Units with support (see Section 6.5.3.3.1 below).

Along with other departments, the Compliance Department is also responsible for detecting cases of non-compliance, handling them appropriately and proposing potential corrective measures so that these events do not occur again.

Its scope covers the entire Group as well as its relations with customers, partners, intermediaries, suppliers and subcontractors.

The governing bodies (Executive Committee, Management Committee) and the Board of Directors of Veolia Environnement are fully involved in the definition and application of the Group's compliance policy. The Compliance Director, who is a member of the Management Committee, regularly attends Executive Committee meetings, and at least once a year participates to a meeting of the Accounts and Audit Committee. When needed, he is also consulted by the Board of Directors.

Compliance Department policies must be deployed by each functional department in relation to their respective activities and by all Business Units and zones, with the necessary adaptations at local level, where needed. ZCOs are responsible for deploying the Group's policy at zone level.

6.5.2.2 Management

The Group's Compliance Department interacts with the following Group functional departments: Risk, Insurance and Coordination of Internal Control, the Security Department, the Legal Department, the Finance Department and Internal Audit.

The compliance approach is based around managing or participating in the following Committees:

Veolia Ethics and Compliance Committee	Created in 2018, this Committee brings together the main functional departments involved in the ethics and compliance policy and promotes the necessary coordination in this area. The Committee is chaired by the chairman of the Ethics Committee (see Section 6.5.3.3.1. below).
Sponsorship and Patronage Committee	Chaired by the Group's General Counsel, this Committee examines and approves sponsorship and patronage projects by Veolia Environnement or projects co-funded by several Group entities in France.
Human Rights and Duty of Care Committee	Created in 2016 by the Executive Committee, and chaired by the Group's General Counsel, this Committee steers Veolia's human rights and vigilance policy.
Inside Information Committee	Created following a meeting of the Disclosure Committee in 2016, this Committee rules in particular on the classification of any event or information likely to be classified as insider information pursuant to the Market Abuse Regulation (MAR). It is chaired by the Chief Financial Officer.

6.5.3 PREVENTING CORRUPTION, ANTI-COMPETITIVE PRACTICES AND FRAUD

6.5.3.1 Risks and opportunities

Preventing corruption and other unethical business practices is a major issue for the Group and all its employees. The Group must be particularly watchful regarding these risks (see Chapter 5, Section 5.2.2.4 above on regulatory, legal and ethical risks in particular), mainly due to the nature of its contracts, the investments made and the difficulties unique to certain countries where it operates. Actions by employees, corporate officers or external stakeholders which contravene the principles set out by the Group could expose it to criminal and/or civil penalties as well as harm to its reputation.

Prevention of corruption and anti-competitive practice programs foster a culture of transparency and integrity within the Group, thereby working to protect its reputation and retain the trust of internal and external stakeholders. In addition, they not only help reduce risk in these areas, but also strengthen the Group's appeal and the uniqueness of its commercial offerings.

6.5.3.2 Policy and commitments

Veolia values, which are set forth in the Group's Ethics Guide, notably legal compliance, the Group's internal rules and respect for others must guide the individual behavior of all employees and managers.

The Company's Executive Management is highly committed to preventing and uncovering corruption, as well as preventing anti-competitive practices. Various internal standards have been implemented in this area since 2002 (notably the Ethics Guide, the Competition Law Compliance Guide, the Criminal Risk Prevention Guide, the Anti-Corruption Code of conduct, the internal whistleblowing system, the "key" procedures, etc.), specifically aiming to prevent the risks of corruption and anti-competitive practices. These procedures cover a certain number of the Group's "at risk" activities, such as commercial intermediation, sponsorships and patronages, activities in sensitive countries, etc.

This Group commitment is also reflected by various statements by the Company's Chairman and Chief Executive Officer, underlining the importance of the compliance policy (management seminar, New Year's speech, etc.).

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 cover Veolia Environnement and all of its subsidiaries.

Veolia has also reinforced its approach with ongoing employee training and awareness actions since 2004 (see Section 6.5.3.3.4. below).

In terms of sustainable procurement, Veolia has reinforced its compliance program: a specific clause on the prevention of corruption is included in new contracts with suppliers and sub-contracts and on contract renewal. Suppliers are required to take recommendations made during evaluations into account, implement corrective action plans if needed, and where applicable, involve their own suppliers and subcontractors (see Section 6.3.3.3.3 above).

This policy is part of the application of law no. 2016-1691 of December 9, 2016 on transparency and anti-corruption and modern business practices (also known as the "Sapin II law").

As part of the roll-out of its activities, the fight against fraud was entrusted to the Compliance Department in 2019, in conjunction with the Finance Department.

The Compliance Department therefore has full responsibility for managing the fight again fraud including: monitoring identified or suspected fraud as they occur as well as attempted wire transfer fraud, investigations into fraud alerts escalated to the Ethics Committee and organizing reporting on identified frauds, monitoring action plans and communicating an annual summary to the Audit and Accounts Committee.

6.5.3.3 Actions and results

6.5.3.3.1 Define, steer and coordinate compliance programs

Governance and definition of compliance programs

A Compliance Department, reporting directly to the Chairman and Chief Executive Officer, was created in January 2018. It is responsible for the governance of compliance programs regarding notably the topics of corruption, anti-competitive practices, fraud and lobbying (see Section 6.5.2. above).

Governance, steering and coordination of zones and Business Units

The compliance policy reinforcement initiative was accompanied in 2018 by the implementation of a new mission statement for Zone Directors, underlining their compliance responsibilities. Each zone was attributed a Zone Compliance Officer (ZCO), reporting hierarchically to the Zone Director and functionally to the Group Compliance Director. Each ZCO deploys the Group compliance policy and performs her/his duties in accordance with the zone or subsidiary's requirements. The Group compliance network was strengthened in 2019 and now covers all BUs.

Veolia Ethics and Compliance Committee

To materialise the complementarity between ethics and compliance a new steering committee has been created in 2018: the Veolia Ethics and Compliance Committee. Chaired by the Ethics Committee chairman, it brings together the functional departments the most interested in ethics and compliance matters, especially Compliance, Finance, Legal, Human Resources, Internal Audit and Communication. The Committee fosters exchanges, the better understanding of ethics topics as well as the coordination of action plans rolled out to materialise the Group's ethics policy.

6.5.3.3.2 Identify and evaluate non-compliance risks

Corruption risk mapping

Since 2012, the Risk Department has developed the "country risks & opportunities" program (see Chapter 5, Section 5.1.1 above) which evaluates political risks, institution instability and corruption risks, among others. These analyses are used for investment projects (organic projects and company acquisitions). This due diligence is used to evaluate external risks linked to projects and to implement risk mitigation actions.

The Group continually reinforces its compliance initiatives, using the results of these risk analyses, partially from the Group, Zone and BU risk mappings, but also those developed for the Investment Committees or more specifically, on corruption risks.

The specific corruption risk mapping was created using a Group methodology, combining internal and external data and based on the three approaches described below:

Approach	Objective
Geographic	Ranking of Veolia zones and countries depending on their level of exposure to corruption risks.
Group	▪ Identifying and evaluating the main risk scenarios, depending on Group business segments, contracts and internal processes; ▪ Obtaining an overview of existing systems and their level of deployment; ▪ Reinforcing the level of control through specific action plans deployed for the Group.
Business Unit **(intersection of the geographic and Group approaches)**	Indicating the compliance risks at local level (business segments, contracts, and internal processes). These risk analyses are organized with local teams representing the BU's top management and targeted functions, in the form of interviews.

This methodology is consistent and integrated with the Group's overall risk mapping process. It is also in line with recommendations issued by professional associations and institutions such as those indicated by the French Anti-corruption Agency in December 2017.

Third party evaluation (suppliers, partners, intermediaries, customers)

Considering the risk analysis regarding third parties, Veolia has chosen to initially prioritize evaluation of top-level suppliers, strategic suppliers and certain, particularly sensitive third parties, such as commercial intermediaries and partners in development projects.

Regarding purchasing, buyers (at all Group levels) are responsible for identifying the strategic suppliers to be evaluated. The prior analysis performed through the risk mapping can be used to identify suppliers to evaluate during the call for tender process and/or through annual campaigns.

The evaluation systems also allow Veolia to measure the CSR performance of its strategic suppliers. This involves a documentary audit performed by an external service provider covering twenty-one criteria across environmental, social (human rights), ethical (corruption) and supplier relation issues. During the last three years, nearly 55% of the Group's strategic suppliers were assessed.

Commercial intermediaries are subject to a specific process, governed by an internal procedure. The Compliance Department is in charge of the process with the support of the Security Department. The contracts regarding these intermediaries are subject to a systematic review. In 2018, an investigation office was created in the Security Department. This organization is responsible for part of the third-party evaluation process designed to deal with legal, commercial, financial and reputation risks.

Regarding customers, the evaluation system is deployed within the Business Units through the Group Customer-Sales procedure, updated in late 2018. Implementation is delegated to the BUs. When the Group considers contracting with third parties for project development purposes, an assessment of these third parties is performed based on the internal procedure related to «major projects" (see Section 6.5.3.3.5 below).

6.5.3.3.3 Identify and manage whistleblowing reports

Whistleblowing system

Veolia has had a whistleblowing system since 2004. This general whistleblowing system is noted in the Ethics Guide. Any breach of one of the rules of conduct indicated in this document can be reported to the Ethics Committee *via* a dedicated number, the Committee's email address or any other means.

Furthermore, certain Group entities (notably the US, Canada, United Kingdom and Germany) have previously implemented a specific financial whistleblowing system, operated by an external supplier.

Compliance with the "Sapin II" law led the Group to adopt a new internal whistleblowing system in 2018, which replaced the specific systems in early 2019, improving guarantees made to whistleblowers and the people targeted by the alerts.

This whistleblowing system is intended to allow the collection of alerts regarding conduct or situations which are contrary to applicable laws and Group policies and rules, notably the Ethics Guide and the Anti-Corruption Code of conduct. It is important to underline that this whistleblowing system supplements the existing hierarchical alert systems within the Business Units (BU), which continue and are encouraged.

The new whistleblowing system is managed, as previously, by the Ethics Committee, which receives whistleblowing reports from Group employees *via* a secure platform. This means that the whistleblowers can remain anonymous if they wish so.

Third parties outside the Company can, as in the past, refer directly to the Ethics Committee and remain anonymous if they wish so.

Whistleblowing reports which appear to be within the compliance scope are immediately sent to the Compliance Department, which is in charge of handling them.

The use of a widely-promoted, independent and centralized platform enables Group employees to submit reports easily under optimal conditions of confidentiality.

Fraud reporting

The Compliance Department is responsible for facilitating and coordinating the fraud prevention system, founded on several components. A "Warning and fraud reporting" internal Group procedure was implemented in 2015, supplementing the fraud reporting tool deployed within the Group since 2005. This mechanism seeks to facilitate the escalation and understanding of fraud patterns, thereby enabling the implementation of necessary protection measures. Three major categories of fraud must be reported: "misappropriation of assets", "communication of fraudulent information" and "corruption and unethical behavior".

6.5.3.3.4 Train and raise awareness of our employees and stakeholders

History of anti-corruption and fraud prevention training, and competition law compliance training

Veolia has organized training in these fields since 2004. These programs are regularly renewed and reinforced. In 2004 and 2005, 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. This program included a section on Ethics, preventing anti-competitive practices and preventing criminal risk, including corruption. In 2008 and 2009, Veolia Environnement continued these actions by conducting a "compliance with competition law" training program, in France and abroad. It was renewed in several countries from 2010 (notably Germany, France, China, Eastern Europe, etc.) and to date, over 5,600 managers have been trained. In 2013 and 2014, the training program was completed by an e-learning session, consisting of four modules, which helped to train more than 6,000 Group employees around the world.

Since 2009, the Company has also elaborated a Criminal Risk Prevention Guide and implemented and deployed the associated training. This program has been deployed to around 4,000 Group employees (including 850 managers in France).

In 2012, nearly 500 managers worldwide received training in strengthening fraud prevention and control. Between 2014 and 2018, fraud awareness training for the internal controller network was provided during annual seminars (average of 80 people per year). Between 2017 and 2019, fraud awareness training, supervised by Internal Control followed by the Compliance Department, was provided to managers and mainly accounting, financial and purchasing teams (over 300 people) in several countries and BUs. In addition, the roll-out of a nine-module e-learning course on the prevention of wire transfer fraud continued in 2019 and will be completed in 2020.

Other training courses on the theme of "compliance, corruption and criminal business law" (e-learning and face-to-face training) were delivered in 2017. Around 2,800 people were trained.

The compliance program, carried out by Veolia as part of reinforcement of its compliance approach in 2018, includes a section dedicated to training. The objective is that as many employees as possible are trained in the relevant risk areas using appropriate means.

Specific trainings were organized on the Anti-Corruption Code of conduct and anti-competitive practices. The content of the module was defined by the Compliance Department in 2018.

Initially, these mandatory elearning courses were deployed by the Veolia Campus network. They primarily target the Group's main managers, then an extended group of the "TOP #5000", including people whom it would seem appropriate to train considering their responsibilities and their exposure to these topics. These trainings courses were started in November 2018 and completed during 2019.

Also, and in a broader sense, the Zone Compliance Officers were appointed to define a compliance training plan specific to each zone at a BU level, in close collaboration with the HR Department and based on a risk approach. These training plans seek to train all relevant employees, notably managers and individuals with sensitive roles.

Development and deployment of the Anti-Corruption Code of conduct

An Anti-Corruption Code of conduct was adopted by the Executive Committee in 2018. It improves other texts in force within the Company regarding this topic, notably the Ethics Guide and the internal procedure "Preventing criminal risk and corruption".

The Anti-Corruption Code of conduct describes the principles and actions intended to respect the Group's commitment to ban any form of corruption and similar or equivalent behavior, and to comply with best practices and regulations in this field.

It applies within all companies controlled directly or indirectly by Veolia, in France and all countries where they operate or are located, regardless of legal status.

All zones and BUs must deploy the Code in their respective areas. In France and certain countries, the implementation requires the integration of the Code in the internal regulations of the legal entities in question. Within Veolia Environnement, the modified internal regulations entered into force on July 15, 2018. For France, the Anti-Corruption Code of conduct was presented to the Works Council. Outside France, the Code disclosure and implementation processes depend on local legal requirements.

6.5.3.3.5 Control and improve processes

Development project selection procedure

The Group development project validation process is subject to the rules and methods defined in an internal procedure relating to "major projects", notably referral to the Investment Committee at country/BU, zone or Group level.

Until 2018, questions of compliance raised at the Group Committee were the responsibility of the Legal Department. As a transitional measure, since 2018, the Compliance Department was involved in reviewing projects with specific risks. At the end of 2018, a modification of this procedure was launched with the objective to formalize involvement of the compliance function into the decision-making process for development projects.

In order to evaluate all risks associated with a specific geographic area, the Risk Department has a risk evaluation system using a specific program (see risk policies, Chapter 5, Section 5.2.2.1 above). This provides a diagnosis on the risks and opportunities of projects by theme, including those linked to compliance (corruption, human rights, etc.).

Furthermore, projects involving countries subject to international sanctions are systematically reviewed by the Compliance Department to ensure not only that the project is compatible with the sanction framework applicable to these countries, but more generally the project's overall compliance in the country in question (see Section 6.5.5.5. below).

Implementation of the procedure "Membership and participation in professional organizations"

The participation of Veolia and its entities in professional associations is important and necessary. However, as these meetings can bring together competitors, they comprise risks with regard to competition rules. Precautions must therefore be taken and appropriate procedures applied.

This is the aim of the new procedure setting out rules and conduct to be adopted when an employee of Veolia or a subsidiary becomes a member of a professional body (association, grouping, federation, trade union) and/or participates in meetings.

This procedure must be rolled-out in each entity and may be adapted locally to reflect prevailing laws in the countries where Veolia operates.

Adaptation of accounting procedures

The procedures related to financial processes, and certain transaction processes, particularly those relating to third parties (Purchasing, Sales) were updated by the Group's Internal Control Department in order to include specific information regarding the prevention of corruption and in order to make them consistent with the requirements of the Sapin II law (see Chapter 5, Section 5.1.2 above).

Overhaul of the Sponsorship and Patronage procedure

The Group procedure was updated in 2019 to improve control over sponsorship and patronage actions.

Following this review, these actions are subject to a strengthened specific control ensuring their transparency, legality and compliance with internal procedures. This also ensures actions are in the interests of the Group, its employees and the beneficiaries of the actions themselves.

This procedure applies to all Group entities. Strict compliance with an inquiry and authorization process is necessary before a firm commitment is given to a partner/beneficiary. The procedure update lowered the threshold requiring an action to be presented to the Approval Committee, to strengthen control.

6.5.4 HUMAN RIGHTS

6.5.4.1 Risks and opportunities

Due to the geographic scope of its activities, the Group is exposed to non-compliance by stakeholders with the principles set out in the Group's human rights policy and notably external stakeholders (subcontractors, suppliers) (see Chapter 5, Section 5.2.2.4 on regulatory, legal and ethical risks in particular). Veolia therefore implements appropriate due diligence to ensure compliance.

The Veolia human rights program, which extends beyond the vigilance plan as defined by the "duty of care law" (see Section 6.6 below), aims to retain the trust of internal and external stakeholders, reinforce appeal and the uniqueness of the commercial offer and protect the Group's reputation. This program naturally forms part of the Group's Purpose.

6.5.4.2 Policy and commitments

Since it joined the United Nations Global Compact in 2003, Veolia has backed and promoted the 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 employment discriminations. Compliance with these fundamental rights and these commitments for sustainable development is naturally part of the human rights policy defined by the Group. Formalization of the latter in 2016 led to the creation of the Human Rights and Duty of Care Committee, which is responsible for steering the human rights framework within Veolia (see Section 6.5.2.1 above).

The Group has been working hard for years to uphold the human rights not only of its employees, subcontractors and suppliers, but also of the communities living in the areas 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 Section 6.5.1.1 above).

The Veolia human rights policy focuses on eight priority issues:

- three issues relating to the rights of the people impacted by its activities:
  - right to a healthy environment and protection of resources,
  - right to water and sanitation,
  - rights and lifestyles of local communities;
- five issues relating to fundamental labor rights:
  - elimination of forced labor,
  - abolition of child labor,
  - elimination of discrimination,
  - promotion of freedom of association and collective bargaining,
  - right to a safe and healthy work environment.

The Human Resources Department and the Compliance Department have pledged to ensure these rights are respected in cooperation with the Group's other functional departments and all entities.

Right to a healthy environment and protection of resources

These concerns are particularly important for Veolia, as they are at the heart of its businesses. Section 6.2 above presents detailed information regarding these two themes.

Right to water and sanitation

These two topics are essential issues for Veolia due to its history and business activities. They are detailed in Sections 6.1.1 and 6.3.4 above.

Rights and lifestyles of local communities

Veolia is committed to recognizing the rights and lifestyles of communities where it operates. The Group implements various initiatives to maintain a constant dialogue with local people (see Section 6.3.2.3.3 above).

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. This prohibition also applies to any form of modern slavery and human trafficking.

Abolition of child labor

Veolia strictly prohibits child labor. Minors can work in certain special cases, particularly work-study apprenticeships, but only in compliance with all regulatory provisions. These commitments are listed in the "Ethics Guide," particularly in regard to compliance with the fundamental international labor standards and the prohibition of child labor.

Fight against discrimination

Veolia's commitments are presented in Section 6.4.5.3 above.

Freedom of association and recognition of the right to collective bargaining

Veolia's commitments are presented in Section 6.4.5.2 above.

Right to a safe and healthy work environment

Veolia's commitments are described in Section 6.4.3 above.

Veolia has therefore clearly adopted a continual improvement approach to the challenges it faces.

To this end, the Group requests the opinion of various stakeholders especially concerned with this issue such as international organizations, specialist associations and businesses.

The Veolia human rights approach relies on several measures and initiatives.

6.5.4.3 Actions and results

6.5.4.3.1 Define, steer and coordinate the Human Rights program

Program governance

The Human Rights and Duty of Care Committee is at the center of Veolia's approach to managing issues concerning human rights and fundamental freedoms (see Section 6.5.2 above). This body is chaired by the Group's General Counsel and led by the Compliance Department. It is responsible for the proper roll-out of Veolia's Human Rights policy and its appropriation by employees and monitors the implementation of action plans. The Committee met three times in 2019 to guarantee the effectiveness of this policy.

The mobilization of the Compliance Department illustrates the Group's determination to reinforce the scope of its commitments to human rights and its duty of care as required by French legislation.

Reinforcement of the international network

The Compliance Department performs its human rights role through a network of compliance officers covering the entire Group (see Section 6.5.3.3.1 above). This network is coordinated by a human rights and vigilance manager reporting to the Compliance Department.

6.5.4.3.2 Identify and evaluate risks

Veolia identifies risks linked to human rights and the duty of care through different tools and methods.

Human rights risk mapping

An analysis of specific human rights risks was completed in 2014 and repeated in 2016. It is based on a methodology developed by the Risk, Insurance and Internal Control Coordination Department. This map combines the results of studies carried out at corporate level with contributions from operational entities. The problems linked to human rights are long-term. As a result, the conclusions drawn from this work remain valid and support Veolia's approach in this area. In 2018, this map was used to update the purchasing risk mapping. In 2019, the Human Rights Committee agreed in principle to updating the human rights risk mapping in 2020.

Purchasing risk mapping

The purchasing category map updated in 2018 includes a human rights component. This analysis, which is partially based on the result of studies conducted by the Risk, Insurance and Internal Control Coordination Department, is now adapted by at-risk country, and no longer just at Group level. Where needed, corrective actions are launched by buyers based on the conclusions of this map: evaluations, supplier monitoring, corrective actions, site visits, etc.

Third party evaluation

In addition to the purchasing risk mapping, Veolia has called on an external service provider to evaluate the performance of its strategic and/or "at risk" suppliers since 2012, including in the fields of fundamental, social and environmental rights (see Section 6.3.3.3.3 above). It includes 21 criteria including topics such as water, local contamination, social dialogue, child labor and forced labor. This evaluation helps meet the requirements established by the French duty of care law.

Group employees may be called on to conduct supplier site visits in line with supplier evaluations. An evaluation form is available that buyers and technical teams can use for these visits. This document covers human rights issues amongst others. Corrective action plans may be implemented based on observations made during these visits (see Section 6.3.3.3.3 above).

6.5.4.3.3 Identify and manage whistleblowing reports

Whistleblowing system

The Group's whistleblowing system is used to handle incidents linked to violations of human rights and fundamental freedoms, issues carefully monitored by Veolia. This system was supplemented in early 2019 with a secure external platform.

The whistleblowing system is explained in Section 6.5.3.3.3 above.

6.5.4.3.4 Train and raise awareness of our employees and stakeholders

Deployment of the updated Ethics Guide

The Ethics Guide presents the values and principles the Group abides by. The most recent version underlines Veolia's commitment to comply with major international initiatives, such as the UN Global Compact, international human rights law and the OECD guidelines for multinational enterprises.

A copy of this document is given to each new Veolia Environnement employee.

Raising supplier awareness

The Veolia Suppliers' Charter was updated in 2019. It is called "Our General Principles for Supplier Relationships" and it aims to engage and make Veolia suppliers accountable, particularly in terms of labor law and environmental protection.

Furthermore, as part of evaluations, we ask suppliers to consider our recommendations, to implement corrective action plans if needed and to involve their own suppliers and subcontractors in this approach.

The purchasing compliance policy is detailed in Section 6.3.3.3.3 above.

Raising awareness of purchasing compliance

Purchasing is an essential topic as part of commitments made by Veolia in terms of sustainable development. In order to reach its targets, the Group has implemented a progressive approach targeting purchasing teams as a priority. These teams followed a training course on purchasing compliance in 2019, which was also attended by members of the compliance network (see Section 6.3.3.3.3 above).

6.5.4.3.5 Control and improve processes

Control and evaluation

In 2019, the Human Rights and Vigilance Committee examined progress with operating and functional actions plans during its various meetings.

In general, the Committee's activities benefited from the Group's participation in the human rights association, *Entreprises pour les droits de l'homme*. This association offers a forum for peer exchange aimed at consolidating and distributing human rights best practices. The Committee took account of feedback from members of this organization when rethinking the Group's vigilance plan (see Section 6.6 below).

Implementation of the sustainable development clause

Mandatory since 2018, the sustainable development clause is included in new contracts, renewed contracts and amended contracts with suppliers and subcontractors. It aims to prevent risks related to ethics and labor law rules (human rights, child labor, corruption, etc.) The deployment of this clause increased from 63% in 2018 to 71% in 2019 (see Section 6.3.3.3.3 above).

6.5.5 OTHER COMPLIANCE PROGRAMS

6.5.5.1 Protecting personal data

The Group endeavors to apply national provisions and the EU General Data Protection Regulation (GDPR), focusing in priority on entities within the GDPR application scope, while imposing minimum standards for the entire Group. It has developed a global network structure reporting to the Compliance Department comprising:

- a Global Data Protection Officer (GDPO) appointed for Veolia Environnement and its support functions, who reports to the Compliance Director and works with the Group's IT, Legal and Security Departments ("Team DPO"). Together, they coordinate the network of Data Protection Correspondents (DPCs);
- a DPC per geographic zone who locally organizes her/his network of Data Protection Officers (DPOs) and Data Protection Managers;
- a DPO for each Business Unit in France.

In addition, Veolia Environnement has adopted a personal data protection policy and a Design and Legal Authority shared by the IT, Security, Legal and Compliance Departments to guarantee a due diligence of every solution. This assessment covers the following topics:

- technical features:
- cybersecurity standards:
- user experience:
- contract terms and conditions, especially regarding personal data protection, liability limits and licensing policies.

This process is broken down in the Group to ensure the best possible protection of personal data.

The Group runs internal audits (2016, 2019) to check the progress made towards the rolling out of regulations and the Group's norms.

Individuals have exercised their legal rights (access, amendment…) directly to the business units concerned or via the regulator. The BU concerned have been able to address these requests. As far as we are aware, none of the latter have led to further action from a regulator or a competent court.

6.5.5.2 Environmental compliance

In 2019, the Group decided to strengthen the governance of environmental risk management, to be in a better position to respond to growing internal and external environmental expectations.

To this end, it has been decided to modify the current Group governance in this field as follows:

- the appointment of a functional department (Technical and Performance Department) as the lead department in this area, and
- the set-up of a specific Committee to monitor environmental risks, regularly bringing together the central functional departments involved in this task, to ensure good transversal coordination of all functions.

The Compliance Department will participate actively in the work of this Committee. Alongside this department and the Technical and Performance Department [1], the Committee will notably comprise the Sustainable Development Department and the Risk, Insurance and Internal Control Coordination Department.

6.5.5.3 Lobbying

Veolia Environnement actively contributes to discussions, consultations and projects on changes in environmental services management initiated by international, European and French authorities, professional associations, think tanks and NGOs. Pursuant to applicable regulations, these actions are implemented in the context of its adherence to the Global Compact and within the general framework of the Group's Ethics Guide and in accordance with its Anti-Corruption Code of conduct.

Since 2014, the Group also has a **Code of conduct for employees performing lobbying activities**.

Veolia Environnement is listed on several transparency registers, including:

- the transparency register, the European Commission and European Parliament register of lobbyists (since 2009);
- the lobbying disclosure register in the United States;
- the public digital directory managed by the High Authority for public transparency (HATVP) in France. The Group is also registered in the Senate register in France, which records lobbyists on its own list.

Similarly, lobbying employees (or employees likely to lobby) have been made aware of the two objectives of respecting ethics rules and the duty to declare, in coordination with the Group Compliance Department.

Veolia Environnement is also represented at the French Public Affairs Professional Association (APAP). This association contributes to the development of ethics in relations with public authorities as well as to the discussions led notably by the HATVP and parliamentary assemblies on developing a framework for relations with public decision-makers.

In June 2019, Veolia Environnement issued an internal standard on the appropriate conduct of employees who are members of professional associations or participate therein. This procedure aims to ensure that lobbying is performed to the highest prevailing standards.

Through these rules and initiatives, the Group is formally committed to adhering and ensuring adherence to the Codes of conduct applied by these various institutions.

6.5.5.4 Preventing insider trading

To help prevent insider trading, the Company has adopted a Code of conduct for Securities Trading. 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 insider 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.

6.5.5.5 Sensitive countries

Due to its global footprint, Veolia conducts business in certain countries in respect of which some national authorities and international bodies have issued restrictions. The Group may also have contact with individuals against whom restrictive measures have been issued.

Thus, to prevent any risk linked to activities in sensitive countries, Veolia has implemented an internal procedure for many years. Its main objective is to communicate prevailing regulations on the sanction framework to all Group entities, to ensure business is conducted in accordance with the Group's internal policy and the rules issued by national authorities and international bodies.

The procedure lists a number of so-called "sensitive" countries". This list is regularly updated and takes account of states targeted by national and international sanctions, those where trade is partially or fully forbidden and those where sanctions only concern designated of nationals.

The procedure requires a prior risk assessment by the Compliance Department of any activity, new or existing, and subsequent monitoring of validated projects. In 2019, discussions considered the need to strengthen the project validation process in sensitive countries, to include the risk/country and risk/project concepts.

(1) Renamed the Business Support and Performance Department under the Impact 2023 program.

6.6 Vigilance plan

This section summarizes measures implemented by Veolia Environnement to meet the requirements of the French duty of care law. Law no. 2017-399 on the duty of care of parent and sub-contracting companies requires the implementation by these companies of a vigilance plan (the Plan). This plan is notably founded on "reasonable due diligence to identify risks and prevent severe impacts on human rights and fundamental freedoms, on people's health and safety, and on the environment":

Veolia has developed a vigilance plan in accordance with prevailing legislation, covering the entire Group.

A detailed version of the Plan was also prepared. It can be accessed on the Group website at the following link: https://www.veolia.com/en/veolia-group/profile/ethics-and-values.

6.6.1 COMPLIANCE OF THE PLAN WITH THE LAW

The Plan includes the five pillars required by the duty of care law:

- a risk mapping;
- regular assessment procedures covering the situation of subsidiaries, sub-contractors and suppliers;
- actions to prevent and mitigate risks and serious harm;
- a whistleblowing system that collects reporting of existing or proven risks;
- a monitoring scheme to follow up on the plan's implementation and the efficiency of measures.

The law provides for an implementation report which is presented below.

6.6.2 2019 IMPLEMENTATION REPORT

The 2019 version of Veolia's vigilance plan was improved in accordance with the spirit of the duty of care law, which seeks to promote a continuous progress approach.

The system's governance was clarified notably through the drafting of a specific procedure presenting the architecture of the Plan and the implementation methods. This stage led to the reorganization of the Plan's structure to ensure clarity and consistency, demonstrating the Group's increased maturity in applying the duty of care law. The Plan is structured as follows:

- Governance
- Methodology applied
- Risk mapping results
- Assessment
- Actions
- Performance indicators
- Activity report for the year then ended

One of the main areas for improvement in the Plan focused on the development of a risk mapping section. After consideration, it was decided to perform individual risk mappings for each issue concerned by the duty of care law (human rights and fundamental freedoms, health and safety, the environment, suppliers and sub-contractors). This approach was considered more relevant than a single mapping, which would have been difficult to interpret due to its complexity.

Significant work was also undertaken to clarify and detail the mitigation and prevention actions for risk factors identified following the mapping process. As such, the Plan section on actions now better meets the law's effectiveness objective.

In addition, the Plan was presented to a panel of individuals from civil society and experts in social and environmental issues. Their comments enriched the debates of the functional and operational departments involved in drafting the document.

More performance indicators were also used in 2019, as part of measures to improve monitoring of the Plan, notably with regard to human rights and fundamental freedoms at work, health and safety and the environment. Their number and relevance will be monitored regularly.

The proper implementation of this legislation is guaranteed by the Group's Human Rights and Duty of Care Committee, which will ensure this progress approach continues in the spirit of the duty of care law.

6.7 Non-Financial Performance Statement Information Summary

Pursuant to Article R. 225-102-1 and R225-105 of the French Commercial Code, Veolia Environnement presents information on how the Company takes into account the social and environmental consequences of its business activity, as well as the effects of this business activity regarding respect for human rights and combating corruption and tax evasion.

Based on its business model (see Chapter 1, Section 1.2.4 above), Veolia has identified the main risks linked to its business activities for each of the required information categories.

In 2017, Veolia mapped its CSR issues. These issues were ranked with respect to their impact for the Group and its stakeholders. In 2019, Veolia clarified this mapping, explaining the risks and opportunities associated with each issue.

Veolia then analyzed the consistency of:

- its mapping of CSR issues (risks and opportunities); and
- its mapping of the Group's risk factors (see Chapter 5, Section 5.2 above).

These two mappings adopt a different analysis approach: the analysis of CSR issues takes account of the impact on Group stakeholders, in addition to the impact on the Group's activities. Adopting a prudent approach, the Group also chose to apply a lower level of criticality for non-financial risks. These differences in method therefore result in two separate mappings. Veolia nonetheless confirmed the continuity of these mappings.

The table below presents these issues and links them to the commitments which the Group has made and refers to the sections of this Universal Registration Document where the associated policies and results are described.

	Risks and opportunities	Description of risks, policies and results – Section	Description of risks, policies and results – Page	Link with the 9 sustainable development commitments
Environmental consequences of Veolia's activity				
Natural resources	**Risk** • Pollution emitted by Veolia's activities **Opportunities** • Solutions for the treatment of difficult pollution proposed to our customers • Solutions for protecting water resources • Circular economy solutions	6.2.2 6.2.1	309 305	**Commitment 1** **Sustainably manage natural resources by encouraging the circular economy**
Climate change	**Risks** • GHG emissions at sites • Service interruption in the case of extreme climate events **Opportunities** • Energy efficiency, renewable energy use and methane capture solutions proposed to our customers • Climate change adaptation solutions proposed to our customers	6.2.3	320	**Commitment 2** **Contribute to combating climate change**
Biodiversity	**Risk** • Damage to biodiversity at sites with significant issues **Opportunities** • Biodiversity protection and restoration solutions proposed to our customers	6.2.4	334	**Commitment 3 3** **Protect and restore biodiversity**
Consequences on society of Veolia's activity				
Stakeholder dialogue	**Risk** • Discontent or protests by civil society or users of our services **Opportunities** • Development of partnerships and new dialogue mechanisms • Anticipation of expectations of external stakeholders • Legitimacy to operate	6.3.2	338	**Commitment 4** **Build new models for relations and value creation with our stakeholders**

	Risks and opportunities	Description of risks, policies and results – Section	Page	Link with the 9 sustainable development commitments
Local development	**Risk** • Environmental, social or ethical violations by our suppliers or sub-contractors **Opportunities** • Local socio-economic development • Co-development of new services tailored to local issues	6.3.3	344	**Commitment 5** **Contribute to local development and appeal**
Access to services	**Risks** • Discontent or protests by civil society or users of our services • Distribution of water of unsatisfactory quality **Opportunities** • Tailored solutions to maintain and develop universal access to services • Solutions to develop reliable access to high-quality water	6.3.4	351	**Commitment 6** **Supply and maintain services crucial to health and development**
Workforce consequences of Veolia's activity				
Health and safety	**Risk** • Risk of employee or sub-contractors accidents or death **Opportunities** • Physical and mental health of employees • Employee satisfaction and well-being • Productivity and performance improvements	6.4.3	358	**Commitment 7** **Guarantee a safe and healthy work environment**
Professional development and commitment	**Risks** • Reduced employability of our employees • Lack of employee commitment **Opportunities** • Development of employee skills • Employee satisfaction, well-being and commitment	6.4.4	363	**Commitment 8** **Encourage each employee's professional development and commitment**
Respect for diversity, cohesion and social dialogue	**Risks** • Non-compliance with collective bargaining and diversity rights **Opportunities** • Workforce cohesion and stability • Employee motivation and commitment	6.4.5	369	**Commitment 9** **Guarantee that diversity and fundamental human and social rights are respected within the Company**
Preventing corruption				
	Risk • Corruption **Opportunities** • Trust of stakeholders • Competitiveness and unique commercial offer	6.5.3	377	
Respect for Human Rights				
	Risk • Non-compliance with human rights **Opportunities** • Trust of stakeholders • Competitiveness and unique commercial offer	6.5.4	381	
Combating tax evasion				
	• The Group applies a fiscal policy, available on the Internet which consists in: • complying with all laws and prevailing international tax agreements; • paying the right amount of tax around the world; • ensuring that the tax risk is managed; • applying tax choices which correspond to the economic substance of its activities; • adopting a responsible approach with the tax authorities. For the 2019 fiscal year, no consequences due to Group activities were identified in this area when implementing appropriate internal control measures.	4.1 Note 1.2.2 4.1 Note 11.1.2 5.1.1 5.1.5 5.2.2.3	118 202 268 273 293	

Other issues referred to in Article L225-102-1

Information about:	Section	Page
• The consequences on climate change of the Company's business activity and the use of goods and services that it produces	6.2.3	320
• Corporate social commitments in favor of:	6.1	
• sustainable development		302
• the circular economy	6.2.2.3.1	309
• combating food waste	6.2.2.3.3.1 (box "Combating food waste"	314
• combating food shortages	Veolia does not believe that it bears major risks or opportunities in relation to the topics of combating food shortages and respect for animal welfare	
• respect for animal welfare		
• responsible, fair and sustainable food	6.3.2.3.3 (e.g. partnership with Entofood)	343
• Collective agreements with the Company and their impacts on the Company's economic performance, as well as employee work conditions	6.4.5.2	369
• Actions aiming to combat discrimination and promote diversity, and measures taken to support people with disabilities	6.4.5.3	371

6.8 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 Sustainable Procurement) or obtained from limited geographic 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 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.

As from 2018, all acquisitions of entities (outside of the Veolia Group) made during year Y, are taken into account in the social scope starting from January 1 of the year Y+1. This rule allows for a better integration of the Veolia HR processes and Group safety standards and commitments.

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 9,480 employees as of December 31, 2019.

Since 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.

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 for buildings). Within this scope, the reporting covers all activities over which the Group exercises operating control. Excluded activities in 2019 are estimated at approximately 5% of revenue and are split between a few operational activities that still need to be integrated into the reporting and low environmental impact activities (support functions, design offices and in-house training centers).

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 reports, 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, 2019.

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 Corporate Human Resources Department and 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 department/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 2019, 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 in question.

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.).

6.9 Report by one of the Statutory Auditors, appointed as independent third party, on the consolidated non-financial statement

This is a free English translation of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended 31 December 2019

To the Annual General Meeting,

In our capacity as Statutory Auditor of your company (hereinafter the "entity") appointed as independent third party, and accredited by the French Accreditation Committee (*Comité Français d'Accréditation or COFRAC*) under number 3-1049 [1], we hereby report to you on the consolidated non-financial statement for the year ended 31 December 2019 (hereinafter the "Statement"), included in the Group Management Report pursuant to the requirements of articles L.225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

RESPONSIBILITY OF THE ENTITY

The Management Board is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and available upon request at the entity's head office.

6

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the requirements of article L.822-11-3 of the French Commercial Code and the French Code of Ethics (Code de déontologie) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional guidance.

RESPONSIBILITY OF THE STATUTORY AUDITOR APPOINTED AS INDEPENDENT THIRD PARTY

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R.225-105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

Our responsibility is also to provide a report expressing, at the request of the entity and outside of the scope of accreditation, a reasonable assurance conclusion that information selected by the entity, presented in Appendix and identified with the symbol √ in chapter "6. Corporate Social Responsibility" of the Management Report has been prepared, in all material respects, in accordance with the Guidelines.

However, it is not our responsibility to comment on the entity's compliance with other applicable legal and regulatory requirements, in particular the French duty of care law and anti-corruption and tax avoidance legislation nor on the compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of Article A.225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes or CNCC) applicable to such engagements and with ISAE 3000 [2]:

- We obtained an understanding of all the consolidated entities' activities, and the description of the principal risks associated;

(1) Accreditation scope available at www.cofrac.fr

(2) ISAE 3000: international standard on assurance engagements other than audits or reviews of historical financial information.

- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L.225-102-1 III as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation;
- we verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L.225-102-1 III, paragraph 2 of the French Commercial Code;
- we verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- we referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented,
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix. Concerning certain risks (1), our work was carried out on the consolidating entity, for the other risks, our work was carried out on the consolidating entity and on a selection of entities (2),
- we verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code within the limitations set out in the Statement;
- we obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities4 and covers between 18% and 100% of the consolidated data selected for these tests,
- We assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities;

We believe that the work carried out, based on our professional judgment, is 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.

Means and resources

Our work was carried out by a team of eight people between October 2019 and March 2020 and took a total of twenty two weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted about fifty interviews with the people responsible for preparing the Statement.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

(1) Corruption; Human Rights violation.

(2) Veolia Waste Germany; Veolia Waste Brazil; Veolia Waste Mexico; Veolia Waste United Kingdom; RVD France; RVD Rhin-Rhône; RVD Sud; Veolia Water China; Veolia Water United States of America; Veolia Water France - Sud-Ouest; Veolia Water Japan; Veolia Water Czech Republic; Veolia Water Romania; SADE France; UES Veolia Water – Générale des Eaux; Veolia Energy Australia; Veolia Energy Finland; Veolia Energy Hungary; Veolia Energy Italia; Veolia Energy Morocco; Veolia Energy Poland; Veolia Energy United Kingdom; Veolia headquarter (France).

REASONABLE ASSURANCE REPORT ON A SELECTION OF NON-FINANCIAL INFORMATION

Nature and scope of our work

With regard to the information selected by the entity presented in Appendix and identified with the symbol √ in chapter "6. Corporate Social Responsibility" of the Management Report, we conducted the same procedures as those described in the paragraph "Nature and scope of our work" (for the most important non-financial information). However, these procedures were more in-depth, particularly regarding the number of tests.

Consequently, the selected sample represents 45% of the headcount and between 43% and 100% of the environmental information identified with the symbol √.

We believe that these procedures enable us to express reasonable assurance regarding the information selected by the entity and identified with the symbol √.

Conclusion

In our opinion, the information selected by the entity and identified with the symbol √ in the chapter "6. Corporate Social Responsibility" of the Management Report has been prepared, in all material respects, in accordance with the Guidelines.

Paris-La Défense, on 16 March 2020

KPMG S.A.

Fanny Houlliot	Baudouin Griton
Partner	Partner
Sustainability Services	

Appendix

Qualitative information (actions and results) considered most important

Social Information
Occupational safety and health policies and management systems for employees and subcontractors
Training and career development system for talents, managers and executives
Measures implemented to maintain and develop social dialogue
eRHgo approach and other measures to promote equal opportunities

Environmental Information
Group commitments for the environment
Partnerships and collaborations implemented regarding environmental issues
Actions to reduce the use of water resources and to recover waste
Measures taken to reduce the impact of activities on the environment
Actions and tools implemented to protect biodiversity

Societal Information
Ethics and compliance policy, and commitments to respect human rights
Measures implemented for responsible purchasing and for evaluating suppliers and subcontractors
Interactions with stakeholders to take into account their expectations and build new models of value creation
Solidarity actions conducted by Veolia entities
Actions implemented regarding territorial development
Solutions developed for the access to services and their preservation, adapted to the local context

Key performance indicators and other quantitative results considered most important

Social key performance indicators and outcomes	Level of assurance
Total workforce and distribution by gender, socio-professional category, age and geographical area	Reasonable
Annual full-time equivalent workforce	Reasonable
Share of women in the workforce and managerial staff	Reasonable
Injury severity rate	Reasonable
Injury frequency rate with stoppage	Reasonable
Work accidents leading to absence from work (excluding commuting)	Reasonable
Calendar work days lost due to workplace accidents (excluding commuting)	Reasonable
Absenteeism rate (excluding maternity and paternity leave)	Reasonable
Calendar days of absence	Reasonable
Average work week	Reasonable
Number of overtime hours worked	Reasonable
Annual number of days worked per employee	Reasonable
Average number of days worked per week per full-time employee	Reasonable
Percentage of employees who participated in at least one training course	Reasonable
Number of new collective agreements signed	Reasonable
Share of health, safety or working conditions agreements	Reasonable
Number of employee representatives	Reasonable
Coverage rate by social dialogue bodies	Reasonable
Number of departures	Limited
Number of individual/collective dismissals	Limited
Average number of training hours per employee	Limited

Environmental key performance indicators and outcomes	Level of assurance
Direct greenhouse gas emissions (scope 1)	Reasonable
Indirect greenhouse gas emissions related to energy purchases (scope 2)	Reasonable
Reduction percentage of greenhouse gas emissions for scopes 1 and 2 against the 2018 baseline	Reasonable
Total greenhouse gas emissions reduced since 2015	Reasonable
Total greenhouse gas emissions avoided since 2015	Reasonable
Methane capture rate	Reasonable
Energy production (thermal and electrical)	Reasonable
Energy consumption	Reasonable
Rate of global recovery (materials and energy) from treated waste	Reasonable
Efficiency rate of drinking water networks	Reasonable
BOD5 treatment efficiency	Reasonable
COD treatment efficiency	Reasonable
Revenue in the circular economy	Limited
Emissions linked to purchasing heat, electricity and gas for distribution via networks operated by the Group	Limited
Percentage of sites with significant biodiversity issues that have carried out a diagnosis and deployed an action plan	Limited

Societal key performance indicators and outcomes	Level of assurance
Share of strategic suppliers evaluated on CSR performance in the past three years	Limited
Percentage of contracts including sustainable development clauses	Limited
Purchasing expenditure France carried out with the protected and adapted labour sector	Limited
Population with access to drinkable water and sanitation	Limited
Share of expenditures reinvested in the territories	Limited
Coverage rate of Veolia priority activity zones and growth segments through major partnerships based on shared value creation	Limited

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

7.1.1.1 Profile of the Board of Directors as of December 31, 2019

13
Directors

72.7%
Independent Directors(1)

2
Directors representing employees

61
Average age of Directors

3
Non-French Directors

45%
Female Directors(2)

With the exception of the Directors representing employees, the members of the Board of Directors are elected individually by shareholders at Ordinary General 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 Social and Economic Committee, 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.

(1) Excluding Directors representing employees in accordance with the AFEP-MEDEF Code.

(2) Excluding Directors representing employees in accordance with Article L.225-27-1 of the French Commercial Code.

7.1.1.2 Members of the Board of Directors as of December 31, 2019

	Age	Gender	Nationality	Number of shares	Number of offices in non-VE listed companies (2)	Independence	Start of office / Expiry of current office	Number of years on the Board	Individual Attendance rate	Committees: Accounts and Audit	Committees: Nominations	Committees: Compensation	Committees: Research, innovation and sustainable development
Antoine Frérot Chairman and Chief Executive Officer	61	M	French	39,341	0		05/07/2010 2022 GSM	9	100%				
Louis Schweitzer Vice-Chairman	77	M	French	31,132	0		04/30/2003 2023 GSM	16	100%		Chairman	Member	
Maryse Aulagnon Senior Independent Director	70	F	French	9,500 (3)	1	✦	05/16/2012 2023 GSM	7	100%		Member	Chairman	
Jacques Aschenbroich	65	M	French	2,176	2	✦	05/16/2012 2020 GSM	7	83.33%	Member			Chairman
Caisse des dépôts et consignations, represented by Olivier Mareuse	56	M	French	33,344,181 (4)	2	✦	03/15/2012 2021 GSM	7	83.33%				
Isabelle Courville	57	F	Canadian	1,000	2	✦	04/21/2016 2020 GSM	3	100%	Member	Member		Member
Clara Gaymard	60	F	French	750	3	✦	04/22/2015 2023 GSM	4	100%				Member
Marion Guillou	65	F	French	750	2	✦	12/12/2012 2021 GSM	8	100%			Member	Member
Franck Le Roux (1) ✪	55	M	French	N/A	0		10/15/2018 10/15/2022	1	100%	Member		Member	
Pavel Páša (1) ✪	55	M	Czech	N/A	0		10/15/2014 10/15/2022	5	100%				Member
Nathalie Rachou	62	F	French	822	3	✦	05/16/2012 2020 GSM	7	100%	Chairman			
Paolo Scaroni	73	M	Italian	916	1		12/12/2006 2021 GSM	13	83.33%				
Guillaume Texier	46	M	French	750	1	✦	04/21/2016 2020 GSM	3	100%	Member			Member
NUMBER OF MEETINGS IN 2019									6	4	5	4	3
AVERAGE ATTENDANCE RATE IN 2019									96.7% (5)	91.7%	100%	100%	94.4%

● Chairman ● Member ✪ 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 9.3 of the AFEP-MEDEF Code (see Chapter 7, Section 7.2.1.1 below).
(2) VE: Veolia Environnement.
(3) Including 6,500 shares held by MAB-Finances (Finestate). Maryse Aulagnon is the majority shareholder of MAB-Finances (Finestate).
(4) including 7,308,062 shares held indirectly via CNP Assurances (by equivalence pursuant to Article L.233.9 I 2° of the French Commercial Code) based on the most recent declaration of legal threshold crossing by Caisse des dépôts et consignations filed on January 8, 2020 (AMF Decision and Information no. 220C0114 of January 9, 2020)
(5) The option to participate by teletransmission means was not used by any Directors in 2019.

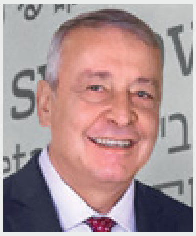
7

7.1.1.3 Positions held by Directors

The positions and offices held by Directors stated below are current as of December 31, 2019 based on updated or known information as of the date of filing of this Universal Registration Document with the French Financial Markets Authority (AMF):

ANTOINE FRÉROT

Chairman and Chief Executive Officer and Director of Veolia Environnement*



61 years old
French

Date of first appointment: **May 7, 2010**

Date of reappointment: **April 19, 2018**

Expiry of current office: **2022 GSM**

Number of shares held: **39,341**

Qualifications:

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 Overesas 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:

- Co-Managing Director of Veolia Eau – Compagnie Générale des Eaux[VE];
- 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 the Société des Amis du Musée du quai Branly;
- Chairman of the non-profit organization Anvie;
- Chairman of the non-profit organization Centre d'Arts Plastiques de Royan;
- Director of CNER, the Federation of French investment and economic development agencies;
- 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:

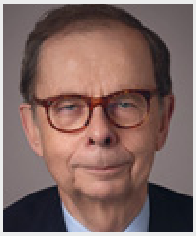
- Director of the non-profit organization Amis de la Bibliothèque Nationale de France;
- Director of Transdev Group until January 9, 2019;
- Vice-Chairman of the Strategy Board of Institut de l'Entreprise (non-profit organization);
- Director of Veolia Énergie International[VE] until 10/07/2016;

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
*: *listed company.*
[VE]: *Group company.*

Experience in Veolia's businesses *International experience* *Public affairs* *R&D* *Bank Finance* *CSR*

LOUIS SCHWEITZER

Director of Veolia Environnement*; Vice-Chairman of the Board of Directors; Chairman of the Nominations Committee; Member of the Compensation Committee



77 years old
French

Date of first appointment:
April 30, 2003

Date of reappointment:
April 18, 2019

Expiry of current office:
2023 GSM

Number of shares held:
31,132

Qualifications:

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 May 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 January 8, 2018. In addition, he has been the special representative of the Minister for Europe and Foreign Affairs for France-Japan relations since 2013.

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:
- Chairman of the Adrienne and Pierre Sommer foundation;
- Chairman of the Foundation for animal rights, ethics and science;
- Vice-Chairman of the National Political Science Foundation;
- Chairman of the Board of Directors of Festival d'Avignon;
- Chairman of the Board of Directors of Maison de la culture MC 93.

Positions or offices expired in the last five years

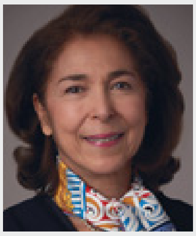
In France:
- Director of the Société des Amis du Musée du quai Branly;
- Commissioner General for Investment;
- Senior Independent Director of Veolia Environnement* until 11/30/17;
- Chairman of the Veolia Environnement* Compensation Committee until 11/30/17;
- Member of the Board of Musée du Quai Branly;
- Chairman of the French Foreign Affairs Council;
- Director of L'Oréal*;
- Member of the Board of Directors of BPI France.

Outside France:
- 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.
International experience *Public affairs* *Industry* *Bank Finance* *CSR*

MARYSE AULAGNON

Independent Director of Veolia Environnement*; Senior Independent Director; Chairman of the Compensation Committee; Member of the Nominations Committee



70 years old
French

Date of first appointment:
May 16, 2012

Date of reappointment:
April 18, 2019

Expiry of current office:
2023 GSM

Number of shares held:
9,500**

Qualifications:

Maryse Aulagnon was the Founder and Chairman of Affine group, consisting of two property companies listed in Paris and Brussels specializing in commercial real estate. She currently manages MAB-Finances (Finestate), an investment company dedicated to investment in managed residential property. She holds a Master's degree in economics and is a graduate of the Institut d'Études Politiques (IEP) and of the École nationale d'administration (ENA). She is an honorary Maître des Requêtes of the Conseil d'État (1975 to 1979). After holding various positions at the French Embassy in the United States (1979-1981) and on the staff of several French ministers (Budget and Industry), she joined the Compagnie Générale d'Electricité group (now Alcatel) in 1984 as Director of International Affairs. She then joined Euris as Deputy Chief Executive Officer when it was created in 1987. She founded the Affine group in 1990. She has also been a director of Air-France KLM* (Chairman of the Audit Committee) since July 2010 and Chairman of the Fédération des Sociétés immobilières et foncières (FSIF) since April 2019. Finally, she is active in a number of professional associations (including Fondation Palladio, founding member of Cercle 30, etc.), as well as cultural and university organizations (including Fondation des Sciences-Po and Le Siècle).

Principal positions held outside the Company – Other offices

Principal position held outside the Company:
- Chairman and CEO of MAB Finances (Finestate).

Other offices and positions exercised in any company/entity:

In France:
- Director of Air-France KLM*;
- Chairman of Fédération des Sociétés immobilières et foncières (FSIF).

Outside France:
- Director of Holdaffine BV, MAB-Finances group (Netherlands).

Positions or offices expired in the last five years

In France:
- Member of the Supervisory Board of BPCE (Banques Populaires Caisses d'Epargne) group;
- Chairman and Chief Executive Officer of Affine R.E.*;
- Representative of Affine R.E.* and MAB-Finances (Finestate) on the Boards of various entities of the Affine group;
- Representative of Promaffine on the Boards of various entities of the Affine group.

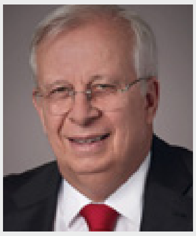
Outside France:
- Representative of Affine R.E., Chairman of Banimmo*, Affine group (Belgium).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
**: listed company.*
***: Including 6,500 shares held by MAB-Finances (Finestate) of which Maryse Aulagnon is the major shareholder.*
VE: Group company.

Experience in Veolia's businesses *International experience* *Public affairs* *Industry* *Bank Finance*

JACQUES ASCHENBROICH

Independent Director of Veolia Environnement*; Chairman of the Research, Innovation and Sustainable Development Committee; Member of the Audit and Accounts Committee



65 years old
French

Date of first appointment: **May 16, 2012**

Date of reappointment: **April 21, 2016**

Expiry of current office: **2020 GSM**

Number of shares held: **2,176**

Qualifications:

Jacques Aschenbroich, is an engineering graduate of the Corps des Mines. He held several positions in the French civil service and served on the Prime Minister's staff in 1987 and 1988. He then moved into industry, working in the Saint-Gobain group from 1988 to 2008. After managing the Group's subsidiaries in Brazil and Germany, he took over the management of the Flat Glass Division of Compagnie de Saint-Gobain and went on to become Chairman of Compagnie Saint-Gobain Vitrage in 1996. From October 2001 to December 2008, he was Senior Vice-President of Saint-Gobain, managing the Flat Glass and High Performance Materials sectors starting in January 2007, and managed the Group's operations in the United States as Chief Executive of Saint-Gobain Corporation and General Representative for the United States and Canada from September 1, 2007. He was also Director of ESSO S.A.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;
- Co-Chairman of the French-Japanese business club.

Positions or offices expired in the last five years

In France:

- Chairman of Valeo Finance.

Outside France:

- Chairman of Valeo SpA (Italy);
- Chairman of Valeo (UK) Limited (United Kingdom).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
**: listed company.*
VE: Group company.

International experience *Public affairs* *Industry* *R&D* *Bank Finance*

CAISSE DES DÉPÔTS ET CONSIGNATIONS

Independent Director of Veolia Environnement*

Date of first appointment:
March 15, 2012

Date of reappointment:
April 20, 2017

Expiry of current office:
2021 GSM

Number of shares held:
33,344,181**

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 Bpifrance; • Director of Icade*; • Director of la Poste; • Member of the Supervisory Board of SNI; • Director of Transdev Group.	In France: • Director of Oseo SA.

OLIVIER MAREUSE

Permanent representative of Caisse des dépôts et consignations on the Board of Directors of Veolia Environnement*

56 years old
French

Qualifications:

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 2010, he was appointed Chief Financial Officer of the Caisse des dépôts group. He is director of Savings Funds at Caisse des dépôts group since September 2016 and also Director of Asset Management since 2018. He is a member of the Executive Committee of Caisse des dépôts group.

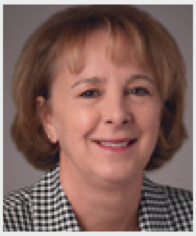
Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: • Director of Asset Management and Savings Funds at Caisse des dépôts group. Other offices and positions exercised in any company/entity: In France: • Director of la Poste; • Director and member of the Risk and Audit Committee of Icade*; • Director and member of the Audit Committee of CNP Assurance*. • Director of Société forestière de la CDC; • Director of CDC GPI; • Member of the Executive Committee of Caisse des dépôts group; • Director and office bearer of the French Association of Institutional Investors.	In France: • Director of AEW Europe; • Director of CDC Infrastructure; • Permanent representative of CDC on the Board of Directors of Qualium Investissement; • Director of CDC International Capital.

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
**: listed company.*
*** including 7,308,062 shares held indirectly via CNP Assurances (by equivalence pursuant to Article L.233.9 I 2° of the French Commercial Code) based on the most recent declaration of legal threshold crossing by Caisse des dépôts et consignations filed on January 2, 2020 (AMF Decision and Information no.220C0114 of January 9, 2020)*
VE: Group company.

Public Affairs *Industry* *Bank Finance*

ISABELLE COURVILLE

Independent Director of Veolia Environnement*; Member of the Audit and Accounts Committee; Member of the Nominations Committee; Member of the Research, Innovation and Sustainable Development Committee



57 years old
Canadian

Date of first appointment:
April 21, 2016

Expiry of current office:
2020 GSM

Number of shares held:
1,000

Qualifications:

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. She was Chairman of the Laurentian Bank of Canada from 2013 to April 9, 2019 and was then appointed Chairman of the Board of Directors of Canadian Pacific Railway*. She also sits on the Board of Directors of SNC Lavalin* and is a member of the Board of Directors of the Institute for Governance of Private and Public Organizations.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Chairman of the Board of Directors of Canadian Pacific Railway*(Canada).

Other offices and positions exercised in any company/entity:

Outside France:

- Member of the Audit Committee, the Nominations Committee, the Compensation Committee and the Risk Committee of Canadian Pacific Railway* (Canada);
- Director and Chairman of the Human Resources Committee of SNC Lavalin* (Canada).

Positions or offices expired in the last five years

In France:

- Director of Gecina*.

Outside France:

- Chairman of the Board of DirectorsLaurentian Bank of Canada;
- 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.

Experience in Veolia's businesses *International experience* *Public affairs* *Industry* *Bank Finance* *CSR*

CLARA GAYMARD

Independent Director of Veolia Environnement*; Member of the Research, Innovation and Sustainable Development Committee

60 years old
French

Date of first appointment:
April 22, 2015

Date of reappointment:
April 18, 2019

Expiry of current office:
2023 GSM

Number of shares held:
750

Qualifications:

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

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.

Positions or offices expired in the last five years

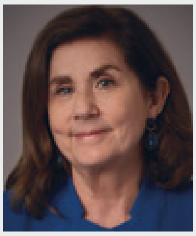
In France:
- Member of the Veolia Environnement* Nominations Committee;
- Vice-Chairman of the Board of Directors of Fondation du Collège de France;
- Chairman of GE France;
- Chairman of the American Chamber of Commerce in France;
- Member of the Board of Directors of the French American Foundation.

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
**: listed company.*
VE: Group company.

International experience / Public affairs / Industry / Bank Finance / CSR / Digital

MARION GUILLOU

Independent Director of Veolia Environnement*; Member of the Compensation Committee; Member of the Research, Innovation and Sustainable Development Committee



65 years old
French

Date of first appointment:
December 12, 2012

Date of reappointment:
April 20, 2017

Expiry of current office:
2021 GSM

Number of shares held:
750

Qualifications:

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) and Agreenium, the French Institute of Agronomics, Veterinary Science and Forestry (2015-2019). 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:

- Director of BNP Paribas*;
- Director of Imerys*;
- Member of the National Council of the Legion of Honor;
- Member of the Board of Directors of Universcience;
- Member of the Board of Directors of IFRI (French Institute of international relations);
- Member of the Board of Directors of Care-France;
- Member of the French High Council for Climate (Haut Conseil pour le climat).

Outside France:

- Member of the Board of Trustees of Bioversity International;
- Member of the Board of Trustees of CIAT (International Center for Tropical Agriculture).

Positions or offices expired in the last five years

In France:

- Chairman of the Board of Directors of Agreenium, the French Institute of Agronomics, Veterinary Science and Forestry;
- Member of the Board of Directors of IHEST;
- Director of Apave;
- Member of the French Research Strategic Council;
- Chairman of the French National Consortium for agriculture, food, animal health and the environment;
- 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 Trustees 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.

International experience *Public affairs* *R&D* *CSR*

FRANCK LE ROUX

Director representing employees of Veolia Environnement*; Social Protection Officer; Member of the Audit and Accounts Committee; Member of the Compensation Committee

55 years old
French

Date of first appointment:
October 15, 2018

Expiry of current office:
October 15, 2022

Number of shares held (1):
N/A

Qualifications:

Franck Le Roux joined the Compagnie Générale des Eaux[VE] as a drinking water network technician on August 31, 1983 for the Syndicat des Eaux d'Île-de-France (SEDIF) contract. He passed the inspector's examination in June 1986. In 1984, he joined the Confédération Générale du Travail (CGT) and his first term as staff delegate was in 1985. Elected to the Executive Board of the public services CGT Federation and leader of the federal water collective section, he acted as negotiator on the collective agreement for water and sanitation between 1997 and 2009. He has been the central union delegate for the Compagnie Générale des Eaux and then the Veolia Eau economic entity since 1999. He has also been the Veolia Group CGT union representative since its creation (Vivendi Environnement) and negotiated the first agreement with the Group in 2002.
He currently works as the Social Protection Officer within the Veolia Eau-Compagnie Générale des Eaux[VE] Human Resources Department.

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: None	None

*: listed company.
VE: Group company.
N/A: Not Applicable
Experience in Veolia's businesses CSR

(1) In accordance with legal provisions and the Articles of Association, Directors representing employees are not required to hold shares in the Company in their capacity as Director. Franck Le Roux holds units in company investment funds invested in Veolia Environnement shares (FCPE Sequoia Classique, Sequoia Plus 2018 and Sequoia Plus 2019).

PAVEL PÁŠA

Director representing employees of Veolia Environnement*; Member of the Research, Innovation and Sustainable Development Committee

55 years old
Czech

Date of first appointment:
October 15, 2014

Date of reappointment:
October 15, 2018

Expiry of current office:
October 15, 2022

Number of shares held (1):
N/A

Qualifications:

Pavel Paša has been a Veolia employee since 1995. He is the health and safety expert for the Czech company, Veolia Česka Republika a.s.[VE], a specialist in wastewater treatment.

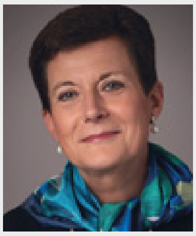
Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: None Other offices and positions exercised in any company/entity: None	None

*: listed company.
VE: Group company.
N/A: Not Applicable
Experience in Veolia's businesses CSR

(1) In accordance with legal provisions and the Articles of Association, Directors representing employees are not required to hold shares in the Company in their capacity as Director. Pavel Paša holds units in company investment funds invested in Veolia Environnement shares (FCPE Sequoia Classique, Sequoia Plus 2018 and Sequoia Plus 2019).

NATHALIE RACHOU

Independent Director of Veolia Environnement*; Chairman of the Audit and Accounts Committee



62 years old
French

Date of first appointment: **May 16, 2012**

Date of reappointment: **April 21, 2016**

Expiry of current office: **2020 GSM**

Number of shares held: **822**

Qualifications:

Nathalie Rachou is Senior Advisor of Rouvier Associés. 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 Nominations Committee) and of Altran Technologies since 2012 (Chairman of the Audit Committee and member of the Nominations and Compensation Committee).

Principal positions held outside the Company – Other offices

Principal position held outside the Company:
- Senior Advisor of Rouvier Associés.

Other offices and positions exercised in any company/entity:

In France:
- Member of the Supervisory Board, Compensation Committee and the Nominations and Corporate Governance Committee of Euronext*;
- Director, Chairman of the Risks Committee and Member of the Nomination and Corporate Governance Committee of Société Générale*;
- Director and Chairman of the Audit Committee and member of the Nominations and Compensation Committee of Altran Technologies*.

Positions or offices expired in the last five years

In France:
- Foreign trade advisor.

Outside France:
- Director and member of the Audit Committee and the Nominations Committee of Laird Plc* (United Kingdom);
- Trustee of Dispensaire Français (United Kingdom);
- 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.
International experience *Public affairs* *Banque Finance*

7

PAOLO SCARONI

Director of Veolia Environnement*

73 years old
Italian

Date of first appointment:
December 12, 2006

Date of reappointment:
April 20, 2017

Expiry of current office:
2021 GSM

Number of shares held:
916

Paolo Scaroni holds a degree in economics from Bocconi University in Milan and an MBA from Columbia Business School in New York. Following a year with McKinsey & Company after earning his MBA, he held various positions with Saint Gobain between 1973 and 1985, ultimately heading the "Flat Glass" Division. In 1985, Paolo Scaroni became Chief Executive Officer of Techint, while at the same time holding the positions of Vice-President of Falck and Executive Vice-President of SIV, a joint venture between Techint and Pilkington plc. He became Chief Executive Officer of Pilkington plc in 1996 and held that position until May 2002. After serving as Chief Executive Officer of Enel from 2002 to 2005, he became Chief Executive Officer of Eni in June 2005. He is Deputy Chairman of Rothschild group since June 2014 and Chairman of AC Milan (Italy) since July 2018.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:
- Deputy Chairman of Rothschild group;
- Chairman of AC Milan.

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).

Positions or offices expired in the last five years

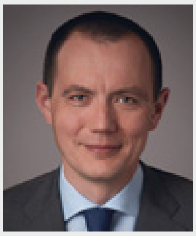
Outside France:
- Member of the Veolia Environnement Nominations Committee;
- Member of the Board of Directors of Fondazione Teatro alla Scala (Italy).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
**: listed company.*
VE: Group company.

International experience *Public affairs* *Industry* *Banque Finance*

GUILLAUME TEXIER

Independent Director of Veolia Environnement*; Member of the Audit and Accounts Committee; Member of the Research, Innovation and Sustainable Development Committee



46 years old
French

Date of first appointment:
April 21, 2016

Expiry of current office:
2020 GSM

Number of shares held:
750

Qualifications:

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 successively 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 was Chief Financial Officer of Compagnie de Saint-Gobain* from 2016 to 2018. On January 1, 2019, he was appointed Senior Vice-President, CEO Southern Europe, Middle East and Africa Region at Saint-Gobain*.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:
- Senior Vice-President, CEO France, Southern Europe, Middle East and Africa Region at Saint-Gobain*.

Other offices and positions exercised in any company/entity:
- Chairman of the council at the Institut Mines Telecom Atlantique.

Positions or offices expired in the last five years

- Chief Financial Officer of Compagnie de Saint-Gobain*.

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
**: listed company.*
VE: Group company.

Experience in Veolia's businesses *International experience* *Public affairs* *Industry* *Banque Finance*

7.1.2 RENEWALS PROPOSED TO THE GENERAL SHAREHOLDERS' MEETING OF APRIL 22, 2020

At the recommendation of the Nominations Committee, the Board of Directors' Meeting of March 10, 2020 decided to recommend the renewal by the Combined General Meeting of April 22, 2020 of the terms of office as Director of Mr. Jacques Aschenbroich, Mrs. Isabelle Courville, Mrs. Nathalie Rachou and Mr. Guillaume Texier, for a period of four years expiring at the end of the 2024 Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2023.

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. 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;
- the decisions involving the retention of a portion of the share bonus vested to Mr. Antoine Frérot under the long-term incentive plan known as the *Management Incentive Plan* (MIP) and a portion of the shares that would vest under the performance share plans of May 2, 2018 and April 30, 2019 (see Section 7.4.1.1 below).

7

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 the AFEP-MEDEF Code, the Company notes that no recommendations of this Code were disregarded in fiscal year 2019.

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 2019

The Combined General Meeting of April 18, 2019 renewed the terms of office as Director of Mrs. Maryse Aulagnon, Mrs. Clara Gaymard and Mr. Louis Schweitzer for a period of four years expiring at the end of the 2023 General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2022.

Mrs. Homaira Akbari and Mr. Baudouin Prot did not seek the renewal of their terms of office.

Date of GSM	Expiry of term of office	Renewal	Appointment
April 18, 2019	Homaira Akbari Baudouin Prot	Maryse Aulagnon Clara Gaymard Louis Schweitzer	None

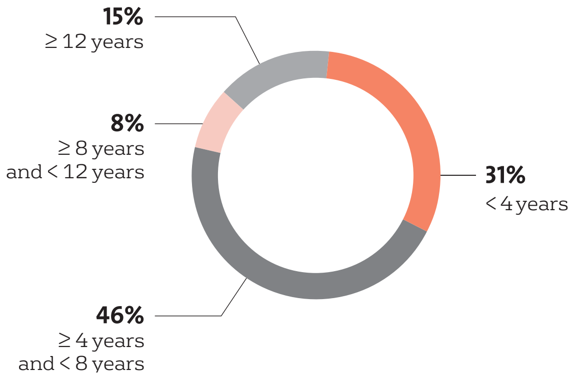
Planned changes in 2020 (1)

As part of the annual renewal of the Board of Directors, the **Board of Directors**' meeting of March 10, 2020 formally noted the expiry of the terms of office of four Directors (Mr. Jacques Aschenbroich, Mrs. Isabelle Courville, Mrs. Nathalie Rachou and Mr. Guillaume Texier) at the end of the Shareholders' Meeting of April 22, 2020.

At the recommendation of the Nominations Committee, the Board of Directors' Meeting of March 10, 2020 decided to recommend the renewal by the Combined General Meeting of April 22, 2020 of the terms of office as Director of Mr. Jacques Aschenbroich, Mrs. Isabelle Courville, Mrs. Nathalie Rachou and Mr. Guillaume Texier, for a period of four years expiring at the end of the 2024 Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2023.

Following this proposed renewal, and **subject to its approval by the Shareholders' Meeting of April 22, 2020**, the Board of Directors would have 13 members, including two Directors representing employees and 5 women (*i.e.* 45.45% (2)(3)).

Length of service of Directors as of December 31, 2019



(1) Subject to the approval of shareholders at the Combined General Shareholders' Meeting of April 22, 2020.

(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.

Diversity policy – Selection criteria for Directors

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 Universal Registration Document, the Board has three non-French Directors (Mrs. Isabelle Courville, a Canadian citizen, Mr. Paolo Scaroni, an Italian citizen, and Mr. Pavel Páša, a Czech citizen), representing 23.07% of total Board members.

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.

	Experience in Veolia's businesses	International experience	Public affairs	Industry	R&D	Bank Finance	CSR	Digital
Antoine Frérot	●	●	●		●	●	●	
Louis Schweitzer		●	●	●		●	●	
Maryse Aulagnon	●	●	●	●		●		
Jacques Aschenbroich		●	●	●	●	●		
Caisse des dépôts et consignations, represented by Olivier Mareuse			●	●		●		
Isabelle Courville	●	●	●	●		●	●	
Clara Gaymard		●	●	●		●	●	●
Marion Guillou		●	●		●		●	
Franck Le Roux, Director representing employees	●						●	
Pavel Pása, Director representing employees	●						●	
Nathalie Rachou		●	●			●		
Paolo Scaroni		●	●	●		●		
Guillaume Texier	●	●	●	●		●		
RATE PER CRITERION	46.1%	76.9%	84.6%	61.5%	23.1%	76.9%	53.8%	7.6%

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. This training program was repeated in 2019 for Mr. Franck Le Roux.

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, China and Hungary.

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:

Criterion 1	**Employee or Executive Officer during the course of the previous five years** 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 or Director of a company consolidated by the Company; • an employee, executive corporate officer or Director of the Company's parent company or a company consolidated by this parent company.
Criterion 2	**Cross-directorships** 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 an executive corporate officer of the Company (current or within the past five years) is a director.
Criterion 3	**Significant business relationships** Not to be a customer, supplier, investment banker, commercial banker or consultant: • that is significant to the Company or its Group; • or for which the Company or its Group represents a significant portion of its business. The evaluation of the significance or otherwise of the relationship with the Company or its Group is debated by the Board, and the quantitative and qualitative criteria that led to this evaluation (continuity, economic dependence, exclusivity, etc.) explicitly stated in the annual report.
Criterion 4	**Family ties** Not have any close family ties with a Director or corporate officer.
Criterion 5	**Statutory Auditor** Not have been a Statutory Auditor of the Company within the past five years.
Criterion 6	**Directorship of more than 12 years** Not have been a director of the Company for more than twelve years. Loss of the status of Independent Director occurs on the date when this period of twelve years is reached.
Criterion 7	**Status of non-executive corporate officer** A non-executive officer cannot be considered independent if he or she receives variable compensation in cash or in the form of shares or any compensation linked to the performance of the Company or the Group.
Criterion 8	**Status of major shareholder** Directors representing major shareholders of the Company or its parent company may be considered independent, provided these shareholders do not take part in the control of the Company. In the case of directors holding 10% or more of the Company's share capital or voting rights, the Board, based on a report from the Nominations Committee, shall systematically consider 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 Universal 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 10, 2020, 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 strictly applies 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.

In the absence of business relationships, the Board classified the following eight Directors (out of a total of 11 excluding the two Directors representing employees) as independent: Jacques

Aschenbroich, Maryse Aulagnon, Isabelle Courville, Clara Gaymard, Marion Guillou, Nathalie Rachou and Guillaume Texier.

In addition, the Nominations Committee and the Board specifically examined the business relationships between the Company and Caisse des Dépôts et des Consignations (CDC), represented by Mr. Olivier Mareuse. The Nominations Committee and the Board of Directors having noted, as last year, that:

(i) the CDC is not a major shareholder of the Company as defined by the AFEP-MEDEF Code (stake of 5.9% of the share capital and 9.9% of voting rights as of the date of this Universal Registration Document);

(ii) the existence of a single current contract between the two groups (commercial lease between ICADE SA, a CDC subsidiary and the Company for Veolia's administrative headquarters in Aubervilliers) is not likely to represent a "significant business relationship" or represent a significant share of the activities, expenses or income of the Veolia, CDC or ICADE groups, with regard to the financial indicators of these three groups [1].

The Board therefore considered that this contractual relationship is not likely to compromise the freedom of judgement and independence of CDC as a Director of the Company.

Accordingly, as of the date of filing of this Universal Registration Document, the Company's Board of Directors therefore has eight **independent members out of a total of 11** Directors (the Directors representing employees are not taken into account when determining these percentages), representing a rate of **72.72%**, in excess of the AFEP-MEDEF Code recommendation [2].

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 1 Employee or Executive Officer during the course of the previous five years	Criterion 2 Cross-directorships	Criterion 3 Significant business relationships	Criterion 4 Family ties	Criterion 5 Statutory Auditor	Criterion 6 Directorship of more than 12 years	Criterion 7 Status of non-executive corporate officer	Criterion 8 Status of major shareholder	Classification
Antoine Frérot		✦	✦	✦	✦	✦	N/A	N/A	Not independent
Louis Schweitzer	✦	✦	✦	✦	✦		N/A	N/A	Not independent
Maryse Aulagnon	✦	✦	✦	✦	✦	✦	N/A	N/A	**Independent**
Jacques Aschenbroich	✦	✦	✦	✦	✦	✦	N/A	N/A	**Independent**
Caisse des dépôts et consignations, represented by Olivier Mareuse	✦	✦	✦	✦	✦	✦	N/A	✦	**Independent**
Isabelle Courville	✦	✦	✦	✦	✦	✦	N/A	N/A	**Independent**
Clara Gaymard	✦	✦	✦	✦	✦	✦	N/A	N/A	**Independent**
Marion Guillou	✦	✦	✦	✦	✦	✦	N/A	N/A	**Independent**
Franck Le Roux, Director representing employees	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pavel Pása, Director representing employees	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nathalie Rachou	✦	✦	✦	✦	✦	✦	N/A	N/A	**Independent**
Paolo Scaroni	✦	✦	✦	✦	✦		N/A	N/A	Not independent
Guillaume Texier	✦	✦	✦	✦	✦	✦	N/A	N/A	**Independent**

✦ *indicates compliance with the AFEP-MEDEF Code in relation to the independence criteria.*
N/A: Not Applicable

(1) *This lease, which entered into effect on July 18, 2016, of an annual amount of €17.2 million and negotiated on an arm's length basis, cannot be considered a significant business relationship with regard to the financial indicators of the Veolia and CDC groups. The annual lease amount or the aggregate lease amount (approximately €93 million) over the remaining lease term (nine-year lease expiring in July 2025), do not represent a significant portion of the business or assets of these two groups (well below 1%).*

(2) *Pursuant to Article 9.3 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 the employee shareholders and directors representing employees are not taken into account when determining these percentages."*

Subject to approval of the renewal of the terms of office of Mr. Jacques Aschenbroich, Mrs. Isabelle Courville, Mrs. Nathalie Rachou and Mr. Guillaume Texier, proposed to the General Shareholders' Meeting of April 22, 2020, the Board of Directors would have eight Independent Directors out of a total of 11 Directors (excluding the two Directors representing employees), representing a rate of 72.72%, in excess of the AFEP-MEDEF Code recommendation [1].

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 to the Board of Directors for prior approval. 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 2019, the Board of Directors met six times and its meetings lasted an average of around three hours (as in 2018). In addition, on December 12 and 13, 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, this seminar notably focused on:

- a review of the 2020-2023 strategic program;
- an analysis of the consistency of this strategic program with Veolia's Purpose and the multiple performance indicators covering the duration of this program.

The average attendance rate at Board meetings in 2019 was over **95%** (up 5% on 2018). The option to participate through electronic communication was not used in 2019 (compared with during five out of seven meetings in 2018).

Individual attendance rates are presented in Section 7.1.1.2 above.

Date of Board of Directors' Meeting (Fiscal year 2019)	Attendance rate
February 20	15/15 (100%)
March 5	14/15 (93.33%)
April 18	14/15 (93.33%)
April 30	13/13 (100%)
July 31	13/13 (100%)
November 6	12/13 (92.31%)

(1) *Pursuant to Article 9.3 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 the employee shareholders and directors representing employees are not taken into account when determining these percentages."*

Work of the Board of Directors in 2019

In 2019, the Board of Directors examined the following points in particular:

Financial and cash positions and commitments of the Group	• review of the 2018 annual financial statements and the 2019 first-half financial statements; • accounting information for the first and third quarters of 2019; • 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; • Group financing policy; • self-assessment of internal control; • 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 2019 budget and the long-term plan; • review of several Group activities, including notably activities in Latin America; • review of the Group's digital roadmap; • review of the program and action plan concerning the Group's compliance system with regard to the report of the Accounts and Audit Committee; • 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; • consideration of Veolia's position on coal-based energy production; • review of the Group's human resources policy and in particular the management policy for executives and talent, the gender equality policy in management bodies and the policy for increasing the number of women managers and the international profile; • 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 2018 and 2019 at the recommendation of the Compensation Committee; • examination of an employee share ownership plan and a 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 directors' compensation; • assessment of the organization and operations of the Board and each of its Committees; • review of the Board's internal regulations; • examination of the proposed updates to the internal regulations of the Accounts and Audit Committee and the Research, Innovation and Sustainable Development Committee in application of the AFEP-MEDEF Code recommendations; • examination and approval of the proposed wording of Veolia's Purpose; • 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 vigilance plan.
Other	• convening of the annual Combined General Meeting and approval of the reports and draft resolutions; • review of multi-year regulated agreements and commitments and related-party transactions; • 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 2019, 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 Chief Operating Officer attended Board meetings in 2019. 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 2017 annual assessment of the Board's activities, the Directors have met, since 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 devotes one point on its agenda to an assessment of how it operates, to be prepared by the Nominations Committee, and arranges 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 provides 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.

It is recalled that 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.

The Chairman of the Nominations Committee reported to the **Board of Directors’ Meeting of March 5, 2019**, on the results of the annual 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. This latest assessment confirmed continued improvement in the Board’s activities and momentum. It notably highlighted the good organization, the quality of debates, the contributions produced by the wide range of expertise and the quality of discussions, both among Directors and with Executive Management. It was generally considered that these conditions surrounding the Board’s work clearly support the finalization of its operating conclusions. In addition to highlighting the excellent quality of Executive Management presentations at the Group’s 2018 strategy session, Directors welcomed efforts by Executive Management to provide the Board with a new analysis approach to the Group’s strategy each year. The trips and visits to operating sites organized in 2018 were highly appreciated and are considered essential to a better understanding of the Group’s businesses and getting to know local management teams. The Directors are extremely satisfied with the executive sessions held at the end of each Board meeting (whether with or without the presence of the Chairman and Chief Executive Officer) and consider them essential to the proper functioning of the Board. Efforts to inform Directors of current issues and monitor decisions made by the Board were also noted. Areas for improvement identified include a desire for more in-depth sector presentations of the Group’s businesses and presentations of the geographic business units, with a greater number of developments focused on local strategic challenges. Certain Directors would also like the Board to receive a systematic formal report monitoring all acquisitions, irrespective of their size, and would like to spend more time on human resource, risk management and compliance policy issues. Regarding the composition of the Board, the majority of Directors are satisfied with the reduction in the number of Board members in 2018. Directors are generally satisfied with the composition of the Committees and their activities, which they consider useful to Board decision-making.

After presenting the review by the Nominations Committee of the assessment of the Group’s governance by the non-financial rating agencies, RobecoSAM, FTSE4Good and Vigéo-Eiris (Moody's), which bear witness year after year to steady progress, the Chairman of the Nominations Committee reported to the **Board of Directors’ Meeting of March 10, 2020**, on the results of the annual 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. Generally speaking and with regard to the positive points, the opinions highlighted by the 2020 appraisal are consistent with the appraisal performed last year. The main conclusions are summarized below.

With regard to the Board’s activities, the Directors broadly welcome the good organization of its activities by the Chairman and the high quality of presentations produced by Executive Management. In addition, the executive sessions organized by the Vice-Chairman at the end of each Board meeting (certain with the Chairman and Chief Executive Officer and certain without) are considered an important addition to the formal Board meetings, as they allow a certain number of subjects to be raised informally. They consider that, in general, they have a good understanding of the key strategic issues, thanks to the high quality of the annual strategy seminar, the occasional presentations by the Group’s geographic Business Unites and the periodic visits to Group sites, which enable them to extend their knowledge of the Group’s operating activities. They highlighted the good cohesion and strong commitment of Board members in their work, the high quality of discussions and the good working relationship established with Executive Management.

The Board particularly appreciated being able to deliberate the text of the Company’s Purpose on several occasions and to have the ability to amend it as necessary. It wishes to receive, in the future, an in-depth analysis of the impact of the adoption by the Company of this Purpose and close monitoring of the Company’s non-financial performance and energy transition commitments.

With regard to desired improvements, the assessment notably highlighted the following points: Directors would like (i) to spend more time on human resource policy issues and management of the Group’s risks and notably cybersecurity risks; (ii) to consider in more depth new trends that could impact the Group’s businesses concerning, in particular, issues tied to social, corporate and environmental transformations, and changes in competition.

It is generally considered, *with regard to the Board's composition*, that the reduction in the size of the Board contributed significantly to creating a better dynamic in its collective work. The Directors consider that the Board should continue to include Directors who are or were leaders of global companies.

As in 2019, Directors are generally satisfied with the composition of *the Committees and their activities*, which they consider useful to Board decision-making.

Role of the non-voting member *(censeur)*

The duties of non-voting members (censeurs) in public limited companies are not recognized by law. Within Veolia Environnement, the Board of Directors may appoint one or more non-voting members (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 opinion.

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.

As of the date of the filing of the Universal Registration Document, the Board of Directors has no non-voting directors (censeur).

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;
- prepares and organizes the periodic assessment of the Board's activities, in conjunction with the Nominations and Compensation Committees.

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 a 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, at its 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' Meetings of April 22, 2015 and April 18, 2019.

Mrs. Maryse Aulagnon, for the term of her office as Director, which was renewed by the Shareholders' Meeting of April 18, 2019 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 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, with or without the Chairman and Chief Executive Officer (executive sessions), as well as discussions assessing the performance of the Chairman and Chief Executive Officer.

In 2019, at the end of nearly all the Board meetings, the Vice-Chairman chaired five executive sessions (compared with six Board meetings in 2019), with and without the presence of the Chairman and Chief Executive Officer. These executive sessions notably allow the Directors to express their comments and wishes regarding improvements in the Board's activities. During the annual assessment of the activities of the Board and its Committees, Directors considered these executive sessions to be essential to the proper functioning of the Board.

Role of the Senior Independent Director

The Senior Independent Director's duties include:

- helping the Chairman ensure that the Company's governance bodies are running smoothly. 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;
- adding points to the agenda of Board meetings;
- assisting the Compensation Committee with its assessment of the performance of the Chairman of the Board as part of the assessment of the Board's activities in accordance with its internal regulations.

In January 2020, as in previous years and since the end of 2016, 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 Senior Independent Director to identify the expectations of these advisors and investors, to discuss with them a range of issues concerning governance and the compensation policy and report back to the Board of Directors' Meeting of March 10, 2020.

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 2019 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 insider 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 6, Section 6.5.5.4 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 and refer, where appropriate, to the decisions of the Inside Information Committee, whose role is to determine the classification of any event or information that could potentially be classified as inside information (see Section 6.5.2.2 above).

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 23), 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 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 meetings of March 6, 2018 and April 30, 2018 to apply the following share retention rules:

- with regard to the share bonus 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 grant by the Board of Directors' Meeting of May 2, 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, authorized by Combined General Meeting of April 19, 2018 (21st resolution), the Board of Directors' Meeting of May 2, 2018 confirmed pursuant to the 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.

- this same obligation to hold a portion of performance shares granted will apply to the Chairman and Chief Executive Officer and Executive Committee members for any new performance share plans implemented in the future. This is the case for the 2019 performance share plan approved by the Combined General Meeting of April 18, 2019 (15th resolution) and the plan submitted to the Combined Shareholders' Meeting of April 22, 2020 (23rd resolution).

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 mainly 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;
- to comply with the Company's Code of conduct with respect to securities transactions;
- 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;
- the current version of the AFEP-MEDEF Code.

Information provided to directors

The Chairman provides directors, in a timely manner, with the necessary information for them to fully perform their duties. In addition, the Chairman provides the members of the Board with all significant information concerning the Company on an ongoing basis. Each director receives and has the right to request all necessary information to perform his/her duties, and may also request additional training concerning specific aspects of the Company and the Group.

In order to fulfill their duties, the Directors may meet with the key management personnel of the Company and Group, subject to giving prior notice to the Chairman of the Board.

At the request of the Chairman or of a director, the heads of the Group's divisions may be invited to any Board meeting devoted to the outlook and strategy for their business sector.

Meeting attendance by electronic means of communication

Directors may participate in Board discussions by videoconference or other electronic means of communication, in the manner and on the terms set out in Articles L. 225-37 and R. 225-21 of the French Commercial Code and as provided for by the internal regulations of the Board of Directors. In such case, directors are deemed to be present for the purpose of calculating quorum and majority, except with regard to the vote on certain major decisions as provided by law and by the Board's internal regulations (in particular, the approval of the annual financial statements and the preparation of the management report and the consolidated financial statements).

Charter and procedure for assessing everyday agreements entered into at arm's length

Pursuant to the provisions of Article L. 225-39, paragraph 2, of the French Commercial Code, the Board of Directors' meeting of February 26, 2020 implemented a procedure to assess agreements concerning everyday transactions entered into at arm's length in order to identify any potential regulated agreements requiring prior authorization by the Board. This procedure (known as the "internal charter") (i) clarifies the concept of "everyday agreement entered into at arm's length" by referring notably to the study produced by the French Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes, CNCC) in 2014; (ii) provides for the set-up of an internal assessment committee comprising representatives of the Company's Legal and Finance Departments, charged with collecting and analyzing the agreements that may enter into the scope of the regulation in order to issue an opinion and determine their classification and (iii) indicates that a report will be submitted to the Board (or one of its Committees) annually on the implementation of this procedure; the Board (or the appointed Committee) may, where applicable, instruct any internal or external audit measures and/or update the internal charter if necessary.

7.2.2 COMPOSITION AND 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

	Independence	Position	First appointment	Attendance rate	Number of meetings in 2019
Nathalie Rachou	✦	Chairman	12/01/2017	100%	4
Jacques Aschenbroich	✦	Member	12/12/2012	50%	
Isabelle Courville	✦	Member	12/01/2017	100%	
Franck Le Roux*	N/A	Member	11/06/2018	N/A	
Guillaume Texier (1)	✦	Member	04/18/2019	100%	
INDEPENDENCE RATE	100%				

(1) Member of the Accounts and Audit Committee since April 18, 2019.
** Director representing employees, not taken into account when calculating independence percentages pursuant to Article 9.3 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 April 18, 2019, the Board of Directors adjusted the composition of the Accounts and Audit Committee, by appointing Mr. Guillaume Texier (Independent Director) as member to replace Mrs. Homaira Akbari whose term of office as Director expired on April 18, 2019.

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. During its meeting of April 30, 2019, the Board of Directors designated, on the recommendation of the Accounts and Audit Committee and pursuant to prevailing regulations, Mrs. Nathalie Rachou, Mrs. Isabelle Courville, Mr. Jacques Aschenbroich and Mr. Guillaume Texier. The Board estimated that these Accounts and Audit Committee members had the required competencies and experience.

Changes in 2019

Date	Expiry of term of office	Renewal	Appointment
April 18, 2019	Homaira Akbari	None.	Guillaume Texier

Planned changes in 2020

No changes are currently planned, subject to the renewal of the terms of office of Mr. Jacques Aschenbroich, Mrs. Isabelle Courville, Mrs. Nathalie Rachou and Mr. Guillaume Texier by the Combined General Meeting of April 22, 2020.

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:

  - *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 the Internal Audit Department and giving the Committee's opinion on the organization of the work of this 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, financial reporting and, where appropriate, non-financial reporting:*

(i) periodically examining the mapping of the main risks identified by Executive Management that may impact the financial statements, including notably risks of an ethical and non-compliance nature,

(ii) 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, Insurance and Internal Control Coordination Department, the Compliance Department, the Internal Audit Department and the Statutory Auditors in relation to internal control procedures, and

(iii) 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 2019

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 Group Risk, Insurance and Internal Control Coordination Director, the Compliance Officer, the Information Systems Director, the Tax Director, the Chairman of the Ethics Committee, the Financing and Treasury 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;
- reviewed the financial information and business reports for the first and third quarters of 2019;
- examined the summary of the internal control self-assessment for fiscal year 2018 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 2018 and the first half of 2019, and approved the internal audit program for 2020;
- 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 risk materiality matrix (including CSR issues) and the Group's insurance program;
- examined planned divestitures and acquisitions and progress with Group restructuring transactions;
- examined the process of integrating companies acquired by the Group;
- reviewed the Statutory Auditors' assignments for 2019. The Committee also reviewed the Statutory Auditors' fee budget for 2019, 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;
- reviewed the program and action plan regarding the Group's compliance system;
- updated the Committee's internal regulations in accordance with the AFEP-MEDEF Code's recommendations.

In addition, the Committee's work is assessed annually as part of the annual assessment of the Board and its Committee.

7.2.2.2 Nominations Committee

Members and activities

	Independence	Position	First appointment	Attendance rate	Number of meetings in 2019
Louis Schweitzer, *Vice-Chairman*		Chairman	03/25/2014	100%	
Maryse Aulagnon, *Senior Independent Director*	✦	Member	03/25/2014	100%	5
Isabelle Courville	✦	Member	11/06/2018	100%	
INDEPENDENCE RATE	66.6%				

✦ *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 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.

Changes in 2019

Date	Expiry of term of office	Renewal	Appointment
April 18, 2019	None	Maryse Aulagnon	None

Changes planned in 2020

No changes are currently planned, subject to the renewal of the term of office of Mrs. Isabelle Courville by the Combined General Meeting of April 22, 2020.

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 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 2019

In 2019, the Nominations Committee focused on:

- changes in and a review of the composition of the Board and its Committee;
- formal assessment procedures and the report on the activities 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

Members and activities

	Independence	Position	First appointment	Attendance rate	Number of meetings in 2019
Maryse Aulagnon, *Senior Independent Director*	✦	Chairman	12/01/2017	100%	4
Marion Guillou	✦	Member	11/05/2014	100%	
Louis Schweitzer, *Vice-Chairman*		Member	04/30/2003	100%	
Franck Le Roux*	N/A	Member	11/06/2018	N/A	
INDEPENDENCE RATE	66.6%				

* *Director representing employees, not taken into account when calculating independence percentages pursuant to Article 9.3 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.

Changes in 2019

Date	Expiry of term of office	Renewal	Appointment
April 18, 2019	Clara Gaymard	Maryse Aulagnon Louis Schweitzer	None

Planned changes in 2020

No changes are currently planned.

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 share purchase and subscription 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.

As part of its assignments, the Compensation Committee may request external technical studies. In this respect, it may notably seek the advice of companies specializing in executive compensation.

Activities in 2019

In 2019, 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 2018;
- the 2019 compensation policy;
- reviewing the budget and allocation of the Directors' compensation;
- defining the terms and conditions of the 2019 performance share plan for the Chairman and Chief Executive Officer and top executives;
- examining a proposed employee share ownership plan.

7.2.2.4 Research, Innovation and Sustainable Development Committee

Members and activities

	Independence	Position	First appointment	Attendance rate	Number of meetings in 2019
Jacques Aschenbroich	✦	Chairman	12/12/2012	100%	
Isabelle Courville	✦	Member	04/20/2017	100%	
Clara Gaymard	✦	Member	04/20/2017	66.67%	3
Marion Guillou	✦	Member	12/12/2012	100%	
Pavel Páša*	N/A	Member	11/05/2014	100%	
Guillaume Texier	✦	Member	04/20/2017	100%	
INDEPENDENCE RATE	100%				

** Director representing employees, not taken into account when calculating independence percentages pursuant to Article 9.3 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 2019 (as in 2018). The average attendance rate was 94.4% (as in 2018).

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.

Changes in 2019

Date	Expiry of term of office	Renewal	Appointment
-	None	None.	None

Changes planned in 2020

No changes are currently planned, subject to the renewal of the terms of office of Mr. Jacques Aschenbroich, Mrs. Isabelle Courville and Mr. Guillaume Texier by the Combined General Meeting of April 22, 2020.

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 in the areas within its remit 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. As regards, more specifically, the Company's environmental policy and issues, the Committee is informed of the information, objectives, commitments and main indicators concerning sustainable development published by the Company in its management report and familiarizes itself with the non-financial ratings obtained by the Group.

The Committee's main contacts are the Chairman of the Company's Board of Directors, Executive Management and the Executive Committee, the Group's Development, Innovation and Markets, Technical and Performance and Sustainable Development Departments, as well as any other manager within the Company who has information or opinions that may be of use to the Committee.

The Committee may also interview persons outside the Company if it deems such interviews to be of use in the performance of its duties. In addition, the Committee may consult outside experts.

The Committee seeks to analyze the content of Veolia's service offerings, its potential customers, the size of markets, the Group's competitive advantages, its competitors, its research programs, technologies and the best economic balance for each area addressed.

Activities in 2019

In 2019, the Committee focused successively on:

- the Group's CSR performance and non-financial ratings;
- the deployment of cybersecurity tools in Veolia;
- Veolia's positioning in coal-based energy production;
- Veolia solutions for reducing greenhouse gas emissions;
- prospective selective waste sorting in France;
- the extent of roll-out of the Group's sustainable development commitments.

7.3 Executive Management and the Executive Committee

7.3.1 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. At the recommendation of the Nominations Committee, this choice was reasserted twice by the Board of Directors, at the time of the proposed renewal of Mr. Antoine Frérot's term of office at the General Shareholders' Meetings of April 24, 2014 and April 19, 2018. At its meeting of February 21, 2018 and subject to the renewal of his term of office as Director by the Combined General Shareholders' Meeting of April 19, 2018, the Board of Directors decided to retain a combined form of governance for the reasons presented below.

Veolia 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, having spent over 25 years within the Group, has acquired an in-depth knowledge of its 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 major decisions of a strategic nature or likely to have a material impact on the Company (see Section 7.3.2 below).

Furthermore, in addition to the operational reasons for choosing this form of management as specified in this section, the Board strengthened the powers of the Vice-Chairman and the Senior Independent Director on March 6, 2018 (see Section 7.2.1.6 above). 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;
- 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, after consultation with and the recommendation of the Accounts and Audit Committee;
- 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 Universal Registration Document, the Company's Executive Committee comprises eleven members:

- Antoine Frérot, Chairman and Chief Executive Officer;
- Estelle Brachlianoff, Chief Operating Officer;
- Olivier Brousse, Senior Executive Vice-President, Strategy and Innovation
- Régis Calmels, Senior Executive Vice-President, Asia;
- Philippe Guitard, Senior Executive Vice-President, Central and Eastern Europe;
- Éric Haza, Chief Legal Officer;
- Patrick Labat, Senior Executive Vice-President, Northern Europe;
- Jean-Marie Lambert, Senior Executive Vice-President, Human Resources;
- Claude Laruelle, Chief Financial Officer;
- Jean-François Nogrette, Senior Executive Vice-President, Veolia Technologies and Contracting;
- Helman le Pas de Sécheval, Secretary General.

In addition, Management Committee meetings bring together, each quarter, 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 Universal Registration Document, this Committee has 31 members, including the 11 members of the Executive Committee; its composition can be viewed on Veolia's website (www.veolia.com).

7.4 Compensation and benefits AFR

A summary of compensation paid during 2019 or awarded in respect of this fiscal year to the Chairman and Chief Executive Officer, Antoine Frérot, as well as the 2020 compensation policy presented for shareholder vote at the Combined General Meeting of April 22, 2020, are detailed in Section 7.4.4 below. The information required by Article L. 225-37 of the French Commercial Code in the corporate governance report is presented in this Section.

7.4.1 EXECUTIVE AND DIRECTOR COMPENSATION

The total compensation paid during fiscal year 2019 or awarded in respect of this fiscal year 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 Universal Registration Document and, in particular, the tables in Sections 7.4.1 and 7.4.3 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 recommendation no. 2012-02.

7.4.1.1 Compensation of the Chairman and Chief Executive Officer

7.4.1.1.1 Compensation policy for 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' Meetings ("ex ante vote on the compensation policy") in accordance with Article L. 225-37-2 of the French Commercial Code. The 12th resolution on the executive corporate officer compensation policy for fiscal year 2020 presented for shareholders' vote at the General Shareholders' Meeting of April 20, 2020 is presented in Section 7.4.4.2 below.

In addition, pursuant to Article L. 225-100 of the French Commercial Code, the General Shareholders' Meeting votes on (i) the fixed, variable and exceptional components of total compensation and (ii) benefits of all kinds paid during the previous fiscal year or awarded in respect of this fiscal year to executive corporate officers (*ex post* vote on compensation of the prior fiscal year). 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. The 10th resolution on the executive corporate officer compensation components for fiscal year 2019 submitted to shareholders' vote at the General Shareholders' Meeting of April 20, 2020 is presented in Section 7.4.4.1 below.

Mr. Antoine Frérot, as the Chairman and Chief Executive Officer, is the sole executive corporate officer.

Policy and general principles applicable to the Chairman and Chief Executive Officer's compensation

In accordance with the provisions of the AFEP-MEDEF Code and at the recommendation of its Compensation Committee, the Board of Directors conducts an annual review of all the compensation components of the Chairman and Chief Executive Officer, based on rules defining the principles and general policy applicable to the Chairman and Chief Executive Officer's compensation components. These rules may be reviewed and amended each year in line with changes in the Group's strategic priorities or in the event of major new events.

In the absence of any major new events or change in strategic priorities, these rules set:

(i) the amount of the annual fixed compensation for a three-year period;

(ii) the criteria for determining the annual variable and long-term compensation;

(iii) the applicable terms and conditions.

These rules were adopted by the Board of Directors for the first time on March 8, 2016, for the period encompassing fiscal years 2016, 2017 and 2018. At the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 5, 2019 decided new rules for a further period of three years encompassing fiscal years 2019, 2020 and 2021.

When implementing these rules and setting the Chairman and Chief Executive Officer's compensation components, the Board of Directors, at the recommendation of the Compensation Committee, ensures in particular that the compensation policy is aligned with the Group's strategy and considers the balance between the different compensation components (fixed and variable annual compensation, long-term compensation plan and other benefits and additional compensation components). Furthermore,

(1) *Executive corporate officers of a French limited liability 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 (if any).*

the review of the Chairman and Chief Executive Officer's compensation components also takes account of compensation studies and benchmarks covering companies comparable to Veolia Environnement and CAC 40 companies.

General structure of the compensation components of the Chairman and Chief Executive Officer

Mr. Antoine Frérot does not have an employment contract with the Group and has waived receipt of the compensation awarded for his duties as director. His compensation does not include any exceptional components.

His annual 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:

- long-term compensation in the form of performance share grants decided by the Board of Directors' Meeting of May 2, 2018 pursuant to the 21st resolution approved by the Combined General Meeting of April 19, 2018 and performance share grants decided by the Board of Directors' Meeting of April 30, 2019 pursuant to the 15th resolution approved by the Combined General Meeting of April 18, 2019;
- severance payments, renewed by the Combined General 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 €980000 for his duties as Chairman and Chief Executive Officer since fiscal year 2019.

In accordance with the three-year compensation policy applicable from January 1, 2019 and at the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 5, 2019 decided to propose to the General Shareholders' Meeting of April 18, 2019 an increase in Mr. Antoine Frérot's gross annual fixed compensation to €980,000 from January 1, 2019. This triennial increase of around 3% sought to bring this fixed compensation closer to the median fixed compensation of CAC 40 Chief Executive Officers and the average increase in the fixed compensation of Group managers over the past 3 years.

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.

From 2003 to 2019, the split of the Chairman and Chief Executive Officer's variable compensation between a quantifiable portion (70%) and a qualitative portion (30%) remained unchanged. From 2020, it is proposed to the Shareholders' Meeting (12th resolution) to determine the variable compensation based on a financial quantifiable portion (50%), a non-financial quantifiable portion (30%) and a qualitative portion (20%).

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 and based on the three-year rules governing the Chairman and Chief Executive Officer's compensation and the Group's strategic priorities. 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 aligned with the mid-term outlook published by the Group. The amount depends on actual results compared with budget objectives set by the Board of Directors;
- the Board of Directors performs an overall assessment of the qualitative portion of variable compensation (30% of the Target bonus base) based on the attainment of qualitative criteria and the recommendations of the Compensation Committee.

With regard to the 2020 compensation policy, the Shareholders' Meeting (12th resolution) is asked to change the above allocation as follows, to reflect the priorities set out in Veolia's Purpose and the Impact 2023 strategic program, as detailed in Chapter 1, Section 1.2.3 above:

- the financial quantifiable portion of variable compensation (50% of the Target bonus base) would be determined based on financial indicators aligned with the mid-term outlook published by the Group. The amount depends on actual results compared with budget objectives set by the Board of Directors;
- the non-financial quantifiable portion (30% of the target base bonus) would be determined based on non-financial indicators relating to Veolia's multifaceted performance and in line with the Impact 2023 strategic plan. The amount depends on actual results compared with objectives set by the Board of Directors;
- the Board of Directors would perform an overall assessment of the qualitative portion of variable compensation (20% of the Target bonus base) based on the attainment of qualitative criteria and the recommendations of the Compensation Committee.

All quantifiable indicators are audited annually by an independent third party.

The quantitative and qualitative criteria for the Chairman and Chief Executive Officer's annual variable compensation for fiscal years 2018, 2019 and 2020 are presented in Section 7.4.1.1.2 below.

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Long-term compensation

Based on the principles and recommendations of the AFEP-MEDEF Code (see Article 25.3.3), in accordance with the rules governing the Chairman and Chief Executive Officer's compensation and at the recommendation of the Compensation Committee, the Board seeks to implement long-term compensation in addition to annual variable compensation, proportionate to annual fixed and variable components and subject to demanding performance conditions to be satisfied over several consecutive years. When drafting a new plan, the performance conditions reflect Veolia's long-term strategic priorities and can include performance conditions that are internal and/or external to the Group. This long-term compensation is not intended to concern only the Chairman and Chief Executive Officer, but also senior executives and other employee categories of the Group (*e.g.* high potential employees and key contributors). The scope of beneficiaries is determined on the implementation of each long-term compensation plan. Should the Chairman and Chief Executive Officer leave the Group before expiry of the performance criteria assessment period, the multi-year compensation will not be paid, in the absence of exceptional provisions justified by the Board.

In this context, the last two long-term compensation plans implemented by the Board of Directors and the proposed new performance share plan presented to the Shareholders Meeting of April 22, 2020 for approval are detailed below.

Performance share grant plan implemented in 2018 for fiscal years 2018, 2019 and 2020

Pursuant to the implementation of the Group's long-term compensation policy and the authorization approved by the General Shareholders' Meeting of April 19, 2018, and at the recommendation of the Compensation Committee, the Board of Directors' Meeting of May 2, 2018 decided to grant 1,731,368 performance shares (*i.e.* approximately 0.31% of the Company's share capital as of December 31, 2018) to 700 top executives and high potential employees of the Group, including 49,296 performance shares to the Chairman and Chief Executive Officer, Mr. Antoine Frérot (*i.e.* approximately 0.01% of the share capital, compared with 0.04% authorized by the General Shareholders' Meeting).

At the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 6, 2018 decided that the following holding obligations would apply should this performance share plan be implemented:

- for the **Chairman and Chief Executive Officer**, obligation to retain, until the end of his duties, 40% of the total performance shares granted under this plan, net of applicable taxes and social security contributions, until an overall shareholding corresponding to 200% of his gross fixed compensation is ultimately reached;
- for the **members of the Company's Executive Committee**, obligation to retain, until the end of their duties within the Executive Committee, 25% of the total performance shares granted under this plan, net of applicable taxes and social security contributions, until an overall shareholding corresponding to 100% of their gross fixed annual compensation is ultimately reached.

The detailed features and performance conditions of this plan are presented in Section 7.4.3.1 below.

Performance share grant plan implemented in 2019 for fiscal years 2019, 2020 and 2021

Pursuant to the implementation of the Group's long-term compensation policy and the authorization approved by the Extraordinary General Meeting of April 18, 2019, and at the recommendation of the Compensation Committee, the Board of Directors' Meeting of April 30, 2019 decided to grant 1,131,227 performance shares (*i.e.* approximately 0.2% of the Company's share capital) to 450 beneficiaries, including top executives, high potential employees and key contributors of the Group, including 47,418 performance shares to the Chairman and Chief Executive Officer, Mr. Antoine Frérot (*i.e.* approximately 0.01% of the share capital, compared with 0.04% authorized by the General Shareholders' Meeting).

It is recalled that at the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 5, 2019 decided that the same holding obligations applicable to the performance share grant plan implemented in 2018 would apply should this performance share plan be implemented:

The detailed features and performance conditions of this plan are presented in Section 7.4.3.1 below.

Proposed new 2020 performance share grant plan for fiscal years 2020, 2021 and 2022

At the recommendation of the Compensation Committee, the Board of Directors asks shareholders in the 23rd resolution presented to the General Shareholders' Meeting of April 22, 2020, to approve a new authorization, for a period of 26 months, to grant performance shares to a group of approximately 450 beneficiaries comprising top executives, high potential employees and key contributors of the Group, including the Chairman and Chief Executive Officer. Accordingly, this plan, which is intended to be launched in 2020 with an expiry date in 2023 following the publication of the 2022 financial statements, would replace the plan granted in 2019. At the recommendation of the Compensation Committee, the Board of Directors stipulated that the Chairman and Chief Executive Officer would receive a performance share grant equal to and capped at 100% of his 2020 fixed compensation. As for the annual variable compensation, the proposed change in performance conditions for this new plan seeks to reflect Veolia's commitment to multifaceted performance as detailed in Chapter 1, Section 1.2.3 above on the Impact 2023 strategic plan.

The detailed features and performance conditions of this proposed performance share plan are presented in Section 7.4.3.1 below.

Additional components of annual compensation

In addition to his annual compensation, the Chairman and Chief Executive Officer is entitled to a company car and to social security benefits equivalent to those of employees (healthcare and insurance) (see Section 7.4.2 below). 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.

7.4.1.1.2 Compensation of the Chairman and Chief Executive Office, Mr. Antoine Frérot, for fiscal years 2018, 2019 and 2020

2018 and 2019 fixed compensation

Mr. Antoine Frérot's annual fixed compensation for his duties as Chairman and Chief Executive Officer was increased to €980,000 in 2019 from €950,000 in 2018 (+3.2%).

Annual variable compensation for fiscal year 2018

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 2018 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 2018, 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 [2],
  - 20% based on Group net free cash flow (before financial investments, financial divestments and dividends) [2],
  - 30% based on the growth of 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 [2] (after tax).
- **the qualitative criteria** (30% of the Target bonus base) for the 2018 variable compensation, were also retained 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) [1],
  - managerial performance,
  - strategic aspects.

At its meeting of March 5, 2019, 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 2018 as follows:

- the quantifiable portion of variable compensation was calculated at €845,064, reflecting a payment rate of 127.1% of the quantifiable portion of the Target bonus base. This reflects a payment rate of 107.6% for the Group current EBIT criteria, 160% for the free cash flow criteria, 111% for the organic Group revenue criteria and 134.2% for the Group ROCE (after tax) criteria;
- the Board of Directors decided to allocate €401,850 to Mr. Antoine Frérot in respect of the qualitative portion of his 2018 variable compensation, reflecting a payment rate of 141% 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: 2017-2018 trend in seven environmental indicators concerning the Group's activities [1]), managerial performance and strategic aspects.

Mr. Antoine Frérot's variable compensation (quantifiable and qualitative) for fiscal year 2018 is therefore €1,246,914, or 131% of his Target bonus base. The cap on variable compensation for 2018 was 160% of his Target bonus base, which in turn is equal to 100% of fixed compensation.

Annual variable compensation for fiscal year 2019

In accordance with the recommendations of the Compensation Committee, the Board of Directors' Meeting of March 5, 2019 decided to set the method of calculating the 2019 variable compensation as follows:

- retention of the weightings at 70% for the quantifiable portion and 30% for the qualitative portion;
- retention of the 2019 variable target portion (in the event the objectives set by the Board of Director are attained) at 100% of the annual fixed compensation (Target bonus base);
- retention of the cap on variable compensation (in the event the objectives are exceeded) at 160% of annual fixed compensation for 2019, or €1,568,000.

In addition, the criteria for the 2019 variable compensation were set as follows:

- **the quantifiable criteria** (70% of the Target bonus base), consistent with the mid-term outlook published on February 21, 2019, were retained unchanged compared to 2018. 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],

(1) *Efficiency rate of drinking water networks; Total waste recovery rate; 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 the growth of 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 2019 variable compensation, were also maintained unchanged on 2018:
  - health and safety at work (basis: Group lost time injury frequency rate),
  - environmental performance (basis: 2018-2019 trend in the same seven environmental indicators as in 2018 concerning the Group's activities) [2],
  - managerial performance,
  - strategic aspects.

At its meeting of March 10, 2020, 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 2019 as follows:

- the quantifiable portion of variable compensation was calculated at €781,423, reflecting a payment rate of 113.91% of the quantifiable portion of the Target bonus base. This reflects a payment rate of 93.2% for the Group current EBIT criteria, 160% for the free cash flow criteria, 104.4% for the organic Group revenue criteria and 106.5% for the Group ROCE (after tax) criteria;
- the Board of Directors' Meeting decided to allocate €425,261 to Mr. Antoine Frérot in respect of the qualitative variable portion of his 2019 compensation, with a payment rate of 144.65% of the qualitative portion based on an overall assessment of the attainment of the following criteria:
  - health and safety at work (Group lost time injury frequency rate),
  - environmental performance (basis: 2018-2019 trend in the seven environmental indicators concerning the Group's activities) [1],
  - managerial performance,
  - strategic aspects.

The relative weighting of these indicators is as follows:

- health and safety indicator: 5%;
- environment indicator: 5%;
- strategic aspects indicator: 10%;
- managerial performance indicator: 10%.

In this overall assessment, the Board took particular account of the following:

- the decrease in the injury frequency rate at Group level (see Chapter 6.4.3.1.3 above);
- the good performance of environmental indicators, up on 2018; [1]
- remarkable managerial performance and particularly: numerous commercial wins and notably in the new businesses (circular economy, treatment of difficult pollution, energy efficiency), the successful divestiture of energy activities in the United States, cost savings in excess of the annual objective, the very good results of the employee commitment survey of Group employees and the excellent rise in the share price;
- excellent results for strategic aspects and particularly: the drafting of the Company's Purpose followed by the definition of a series of indicators monitoring its implementation and the definition of an extremely robust Impact 2023 strategic program, founded on the contributions of a range of stakeholders. This plan fully integrates Veolia's Purpose which is broken down at all levels and notably in the short- and long-term variable compensation plans of the Chairman and Chief Executive Officer and Company executives.

Mr. Antoine Frérot's variable compensation (quantifiable and qualitative) for fiscal year 2019 is therefore €1,206,684, or 123.13% of his Target bonus base. The cap on variable compensation for 2019 was 160% of his Target bonus base, which in turn is equal to 100% of fixed compensation.

Summary of the calculation of 2019 variable compensation

Criteria	Weighting	Percentage of the Target bonus base paid	Amount *(in euros)*
Quantifiable	70%	113.91%	781,423
Qualitative	30%	144.65%	425,261
TOTAL 2019 VARIABLE COMPENSATION	100%	123.13%	1,206,684

(1) *Efficiency rate of drinking water networks; Total waste recovery rate; 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.*

Payment percentages for quantifiable variable compensation

Criteria	Weight (base 70%)	Percentage of the quantitative Target bonus base paid
Group current EBIT	20%	93.2%
Net free cash flow	20%	160.0%
Organic Group revenue	30%	104.4%
Group ROCE	30%	106.5%
TOTAL	100%	113.91%

2018 and 2019 long-term compensation

Performance share grant in respect of fiscal year 2018

Pursuant to the performance share plan authorized by the General Shareholders' Meeting of April 19, 2018 and at the recommendation of the Compensation Committee, the Board of Directors' Meeting of May 2, 2018 decided to grant 49,296 performance shares to Mr. Antoine Frérot (representing approximately 0.01% of the share capital compared with 0.04% authorized by the General Shareholders' Meeting).

The detailed features and performance conditions of this plan are presented in Sections 7.4.3.1 and 7.4.3.2 below.

Performance share grant in respect of fiscal year 2019

Pursuant to the performance share plan authorized by the General Shareholders' Meeting of April 18, 2019 and at the recommendation of the Compensation Committee, the Board of Directors' Meeting of April 30, 2019 decided to grant 47,418 performance shares to Mr. Antoine Frérot (representing approximately 0.01% of the share capital compared with 0.04% authorized by the General Shareholders' Meeting).

The detailed features and performance conditions of this plan are presented in Sections 7.4.3.1 and 7.4.3.2 below.

Compensation awarded for duties as director

Since 2012, Mr. Antoine Frérot has decided to waive the compensation awarded for his duties as director by the Company and Group-controlled companies.

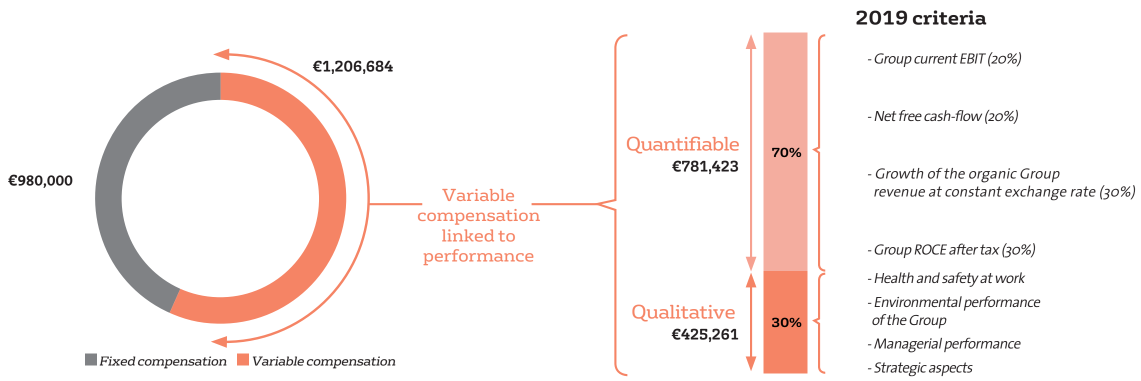
Retirement or other similar benefits

Information on pension plans, other benefits and severance payments due in the event of termination of the office of Chairman and Chief Executive Officer, is presented in Section 7.4.2 below.

Overview and tables summarizing the compensation of the Chairman and Chief Executive Officer, Mr. Antoine Frérot

Annual compensation with respect to 2019 (1) (2)

Fixed and variable compensation(1) **Performance of the variable compensation**(2)



€0 (Voluntary renonciation)
Director's fees

€1,676
Benefit in kind

Closure and freezing of the defined benefit pension plan

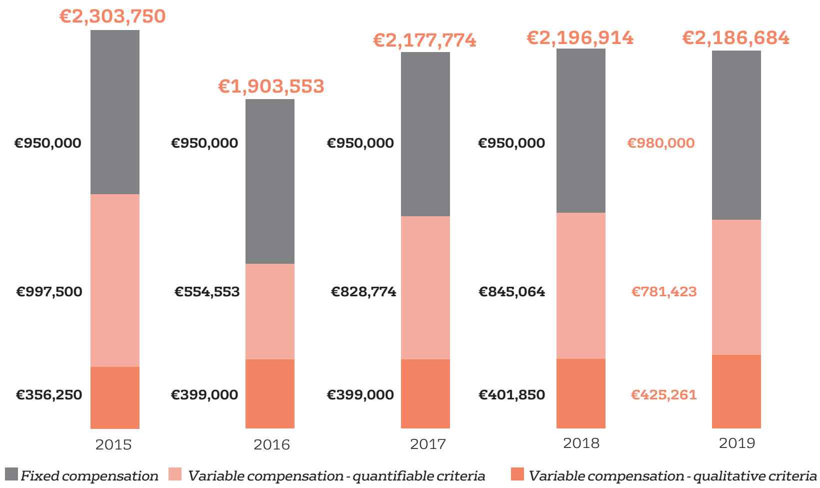
Long-term incentive plan with respect to 2019

2019 performance share plan (with an expiry date on May 2022):
Allocation of 47,418 performance shares

(1) 2019 variable compensation was capped at 160% of his base target bonus, or €1,568,000.

(2) The level of attainment of the objectives and the amount of the variable portion of the compensation were determined by the Board of Directors, upon recommendation of the Compensation Committee, during its meeting of March 10, 2020.

Fixed and variable annual compensation trends over the past five years (in euros)



Fairness ratio (Chairman and CEO compensation / median and average compensation of Group employees in France)

The fairness ratio measuring the difference between total compensation paid to Mr. Antoine Frérot for his duties as Chairman and Chief Executive Officer (as presented in AFEP-MEDEF Code Table 2 in Section 7.4.1.1.2 above) and the median compensation of employees, is 65 in 2019.

The ratio compared to the average compensation of employees is 56.

The ratios were calculated taking account of employees paid directly by all French Group companies. 82% of employees, in France, are non-management staff. 46% of employees are operators/workers.

Ratio	2015	2016	2017	2018	2019
Median France	67	72	59	67	65
Average France	58	62	50	56	56

Summary of compensation received by Mr. Antoine Frérot

The following tables notably present a summary of compensation of all kinds paid or awarded to Mr. Antoine Frérot in respect of fiscal years 2018 and 2019 and have been prepared in accordance with the formats recommended by the AFEP-MEDEF Code and AMF recommendation no. 2012-02. The tables presenting performance shares and share subscription and purchase options can be found in Sections 7.4.3.2 and 7.4.3.3 below.

Summary of compensation, options and shares awarded to Mr. Antoine Frérot (AFEP-MEDEF Code Table 1)

(in euros)	Fiscal year 2018	Fiscal year 2019
Compensation awarded for the fiscal year	2,198,590	2,188,360
Value of options granted during the fiscal year	-	-
Value of performance shares granted during the fiscal year	746,341 (1)	812,745 (2)
Value of other long-term compensation plans	-	-
TOTAL	2,944,931	3,001,105

(1) Value of the 49,296 shares (subject to performance conditions covering fiscal years 2018, 2019 and 2020 and expiring in May 2021) awarded under the plan set-up on May 2, 2018, based on the fair value of the share pursuant to IFRS 2 of €15.14 (see Sections 7.4.3.1 and 7.4.3.2).
(2) Value of the 47,418 shares (subject to performance conditions covering fiscal years 2019, 2020 and 2021 and expiring in May 2022) awarded under the plan set-up on April 30, 2019, based on the fair value of the share pursuant to IFRS 2 of €17.14 (see Sections 7.4.3.1 and 7.4.3.2).

Summary of compensation paid or payable to Mr. Antoine Frérot (AFEP-MEDEF Code Table 2)

	Fiscal year 2018		Fiscal year 2019	
(in euros)	Amount	Amount paid	Amount	Amounts paid
Fixed compensation	950,000	950,000	980,000	980,000
Annual variable compensation	1,246,914 (2)	1,227,774	1,206,684 (3)	1,246,914
Exceptional compensation	-	-	-	-
Compensation awarded for duties as director				
• Paid by Veolia Environnement	-	-	-	-
• Paid by controlled companies	-	-	-	-
Benefits in kind (1)	1,676	1,676	1,676	1,676
TOTAL	2,198,590	2,179,450	2,188,360	2,228,590

(1) Provision of a company car.
(2) Variable portion for 2018 paid in 2019.
(3) Variable portion for 2019 payable in 2020 subject to approval by the General Shareholders' Meeting of April 22, 2020.

In fiscal year 2019, Mr. Antoine Frérot received total compensation of €2,228,590. He received the fixed portion of his 2019 compensation (€980,000) and the variable portion of his 2018 compensation, paid in 2019 (€1,246,914). Finally, he received benefits in kind and waived the compensation awarded for his duties as director for 2019 for positions held in the Company and other companies of the Group.

For fiscal year 2019, total compensation payable is €2,188,360, representing a 0.5% decrease on fiscal year 2018 and comprising the fixed portion of his 2019 compensation (€980,000), and the variable portion of his 2019 compensation (€1,206,684), as well as benefits in kind. However, pursuant to Article L. 225-100 of the French Commercial Code, the variable component of his 2019 compensation is contingent on the approval of the 10th resolution presented for shareholders' vote at the Combined General Meeting of April 22, 2020 (see Section 7.4.4.1 below).

Summary of multi-year variable compensation paid or payable to Mr. Antoine Frérot (AFEP-MEDEF Code Table 10)

(in euros)	Fiscal year 2018	Fiscal year 2019
Mr. Antoine Frérot (Chairman and Chief Executive Officer)	-	-
TOTAL	-	-

Employment contract, supplementary pension plan and benefits as of December 31, 2019 (AFEP-MEDEF Code Table 11)

	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
Mr. Antoine Frérot, Chairman and Chief Executive Officer		X (1)	X (2)		X (3)			X
Start date of term of office as Chief Executive Officer: November 27, 2009 End date of term of office as Chairman and Chief Executive Officer: 2022 GSM								

(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).

2020 compensation policy

In accordance with the recommendations of the Compensation Committee, the Board of Directors' Meeting of March 10, 2020 decided to set as follows the compensation policy for calculating 2020 fixed and variable compensation, as well as long-term compensation.

It is recalled that, effective January 1, 2019 and at the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 5, 2019 decided to set the review period for the Chairman and Chief Executive Officer's fixed compensation for a new thee-year period (fiscal years 2019, 2020 and 2021), in the absence of any major new events or a change in strategic priorities.

Fixed compensation

At the recommendation of the Compensation Committee and in accordance with the new three-year compensation policy, the Board of Directors' Meeting of March 5, 2019 decided to increase the Chairman and Chief Executive Officer's gross annual fixed compensation to €980,000 from January 1, 2019.

Annual variable compensation

The proposed quantitative objectives for 2020 have been determined in the context of the Impact 2023 strategic plan and notably the implementation of the Company's Purpose and all its financial and non-financial performance indicators for stakeholders (multifaceted performance).

In order to integrate the multifaceted performance indicators relating to the Company's Purposes, the Board of Directors' Meeting of March 10, 2020, at the recommendation of the Compensation Committee, decided to amend the calculation method for variable compensation as follows:

- increase in the weight of the auditable quantifiable portion to 80% and decrease in the weight of the qualitative portion to only 20%;
- the 80% auditable quantifiable portion will consist 50% of financial quantifiable objectives and 30% of non-financial quantifiable objectives;
- 2020 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 2020, or €1,568,000.

In addition, the criteria for the 2020 variable compensation were set as follows:

- **with respect to the quantifiable criteria:** in line with the medium-term outlook published on February 28, 2020, the criteria for the quantifiable portion of variable compensation break down as follows. The quantifiable portion is equal to the total of the components resulting from application of each of these criteria separately:
- for the **50% financial quantifiable portion**:
  - 15% based on the **Profitability** indicator **(CNIGS)**: current net income - Group share [(1)],
  - 10% based on the **Investment Capacity** indicator (free cash flow before discretionary capex, financial acquisition/divestments and dividends but after financial expenses and taxes) [(1)],
  - 15% based on the Group **Growth** indicator (revenue): organic Group revenue excluding acquisitions and divestitures of more than €100 million but including acquisitions of privatized public services,
  - 10% based on the **Capital Return** indicator (ROCE): Group ROCE after tax and including the return on capital employed of joint ventures and companies [(1)].

  The financial quantifiable variable compensation portion will be determined based on the attainment of the 2020 budget objectives which are consistent with the outlook announced to the market on February 28, 2020.
- For the **30% non-financial quantifiable portion**:
  - 5% based on the **Health and Safety** indicator: improvement and reduction in the injury frequency rate,
  - 5% based on the **Ethics and Compliance** indicator:% of positive answers to the question in the commitment survey performed by an eternal body, "Are Veolia's values applied in my entity" (Top 5,000 Group employees),
  - 5% based on the **Climate** indicator (invest in the transition to carbon neutrality to achieve zero facilities powered by coal in Europe by 2030, for facilities where the Group controls investment): completion rate for scheduled investment to reduce greenhouse gas emissions,
  - 5% based on the **Hazardous waste treatment and recovery** indicator: consolidated revenue growth of the "Liquid and hazardous waste treatment and recovery" segment,
  - 5% based on the **Commitment** indicator: commitment rate of employees measured by a commitment survey conducted by an external body (clear objectives, meaning and usefulness, work atmosphere, pride in the Group, willingness to recommend Veolia),
  - 5% based on the **Training** indicator: average number of training hours per employee per year (upskilling training actions).

  The non-financial quantifiable variable compensation portion will be determined based on the attainment of the 2020 objectives, that will be audited by an independent third party.
- **with respect to the qualitative criteria:** the qualitative portion (20% of the target bonus) will be based on an overall assessment by the Board of Directors, at the recommendation of the Compensation Committee, of the attainment of the following individual objectives:
  - strategic aspects,
  - managerial performance.

2020 Long-term compensation

Proposed Performance Share Grant

At the recommendation of the Compensation Committee, the Board of Directors asks shareholders in the 23rd resolution presented to the General Shareholders' Meeting of April 22, 2020, to approve an authorization, for a period of 26 months, to grant performance shares to a group of 450 beneficiaries comprising top executives, high potential employees and key contributors of the Group, including the Chairman and Chief Executive Officer. This plan, which is intended to be launched in 2020 with an expiry date in 2023 following the publication of the 2022 financial statements, would succeed to the plan granted in 2019.

(1) *See Chapter 3, Section 3.10.3 - Definitions.*

The detailed features and performance conditions of this proposed performance share plan are presented in Section 7.4.3 below.

Obligation to hold performance shares granted and vested

At the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 10, 2020 has already decided, in the context of the implementation of this performance share plan (subject to the approval by the General Shareholders' Meeting of April 22, 2020 of the 23rd resolution), to renew the same holding obligations as those decided in respect of the two performance shares plans implemented on May 2, 2018 and April 30, 2019, respectively.

In accordance with the provisions of the AFEP-MEDEF Code, the Board of Directors, when implementing this performance share plan expected in 2020, will set the percentage of compensation corresponding to the performance shares that would be granted, in particular, to the Chairman and Chief Executive Officer. At the recommendation of the Compensation Committee, the Board of Directors stipulated that the Chairman and Chief Executive Officer would receive a performance share grant equal to and capped at 100% of his 2020 fixed compensation.

Compensation awarded for duties as director

Since 2012, Mr. Antoine Frérot has decided to waive the compensation awarded for his duties as director paid by the Company and Group-controlled companies. Accordingly, at its meeting of March 10, 2020, the Veolia Environnement Board of Directors took note of the renewal of Mr. Antoine Frérot's decision to waive this compensation for 2020.

Retirement or other similar benefits

Information on pension plans, other benefits and severance payments due in the event of termination of the office of Chairman and Chief Executive Officer, is presented in Section 7.4.2 below.

7.4.1.2 Compensation paid to directors (1)

Amount and allocation of compensation awarded to directors in 2019

The General Shareholders' Meeting of April 19, 2018, at the proposal of the Board of Directors and the recommendation of the Compensation Committee, set the total annual amount of compensation awarded to directors at €1,200,000. This request to increase the total amount of compensation was made for the following reasons: the change in the composition of the Board Committees with the addition of members in 2017, the increase in compensation paid to members of the Accounts and Audit Committee from €8,400 to €16,800 in 2018 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 in 2018.

For fiscal year 2019 and at the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 5, 2019 took note of the renewal of the decision by the Chairman and Chief Executive Officer to waive receipt of the compensation awarded for his duties as Chairman of the Board of Directors, and decided:

- not to ask the General Shareholders' Meeting of April 18, 2019 to increase the total annual amount of compensation;
- to increase to €42,000 the amount of basic compensation paid for the duties of Director, to €20,000 the additional amount paid to the Chairmen of the Nominations Committee, the Compensation Committee and the Research, Innovation and Sustainable Development Committee, to €10,000 the additional amount paid to members of these Committees and to €21,000 the compensation paid for the duties of non-voting member (*censeurs*).
- to retain unchanged the current fixed/variable compensation allocation rules based on meeting attendance in accordance with the recommendations of the AFEP-MEDEF Code, that is a fixed portion of 40% and a variable portion of 60% based on attendance rates; this rule being extended since 2014 to compensation allocated to Committee Chairmen and members;
- to extend the extra allowance payable to Directors and, where applicable, non-voting members (*censeurs*) residing on another continent of €3,000 per trip to the Board strategic seminar.

Compensation was allocated as follows as of December 31, 2019:

- €42,000 for the office of Director, including (a) a fixed amount of €16,800, divided into four quarterly payments of €4,200 per quarter, and (b) a potential variable amount of €25,200 maximum, divided into four quarterly payments of €6,300 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 exta allowance of €3,000 per trip (for one of more meetings of the Board and its Committees) 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 and extended to include the Board strategic seminar;
- an additional amount of €16,800 subject to the attendance rate of a director as a member (not a Chairman) of the Audit and Accounts Committee;
- an additional amount of €10,000 subject to the attendance rate of a director as a member (not a Chairman) of one of the following three Board Committee: Nominations Committee / Compensation Committee / Research, Innovation and Sustainable Development 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 €20,000 subject to the attendance rate for the Chairman of the Nominations Committee;
- an additional amount of €20,000 subject to the attendance rate for the Chairman of the Compensation Committee;
- an additional amount of €20,000 subject to the attendance rate for the Chairman of the Research, Innovation and Sustainable Development Committee; and
- €21,000 for the office of non-voting member *(censeur)* (*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.*

7

Table of compensation awarded to directors in 2018-2019 (AFEP-MEDEF Code Table 3)

The table below shows the amount of compensation paid in 2019 and 2018 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 the compensation awarded for his duties as director paid by the Company and Group-controlled companies.

	2018				2019			
(in euros)	Amounts awarded for the fiscal year		Amounts [1] paid during the fiscal year		Amounts awarded for the fiscal year		Amounts [2] paid during the fiscal year	
Director	By the Company	By controlled companies	By the Company	By controlled companies	By the Company	By controlled companies	By the Company	By controlled companies
Homaira Akbari [3]	68,020	0	64,920	0	26,608	0	43,808	0
Jacques Aschenbroich	70,170	0	68,240	0	69,560	0	40,160	0
Maryse Aulagnon	115,200	0	104,520	0	122,000	0	87,900	0
Daniel Bouton [4]	19,703	0	43,651	0	0	0	0	0
Caisse des dépôts et consignations	33,142	0	37,000	0	37,800	0	17,742	0
Isabelle Courville	78,048	0	69,708	0	99,800	0	60,788	0
Antoine Frérot [5]	0	0	0	0	0	0	0	0
Clara Gaymard	53,370	0	52,800	0	52,994	0	30,568	0
Marion Guillou	56,800	0	55,800	0	62,000	0	32,800	0
Franck Le Roux [6]	12,312	0	0	0	68,800	0	32,952	
Pavel Páša [6]	60,500	0	48,400	0	52,000	0	27,700	0
Baudouin Prot [3]	36,570	0	37,000	0	12,577	0	22,147	0
Qatari Diar Real Estate Investment Company [7]	4,000	0	9,000	0	0	0	0	0
Nathalie Rachou	107,200	0	97,454	0	109,200	0	59,560	0
Paolo Scaroni	47,145	0	48,400	0	37,800	0	23,445	0
Louis Schweitzer	111,770	0	122,880	0	122,000	0	86,470	0
Guillaume Texier	47,140	0	45,880	0	63,770	0	30,728	0
Pierre Victoria [6]	51,382	0	63,100	0	0	0	2,482	0
Paul-Louis Girardot, non-voting member (censeur) [8]	13,659	7,650	22,859	7,650	0	7,650	0	7,650
Serge Michel, non-voting member (censeur) [9]	36,800	4,581.6	36,800	4,581.6	8,675	4,581.6	17,875	4,581.6
TOTAL	1,022,931	12,231.6	1,028,412	12,231.6	945,584	12,231.6	617,575	12,231.6

(1) Gross amount before tax deductions or withholding tax paid in respect of the fourth quarter of 2017 or the first, second or third quarters of 2018 (fixed and variable components).
(2) Gross amount before tax deductions or withholding tax paid in respect of the fourth quarter of 2018 or the first, second or third quarters of 2018 (fixed component only).
(3) The terms of office of Mrs. Homaira Akbari and Mr. Baudouin Prot expired on April 18, 2019.
(4) Mr. Daniel Bouton's term of office expired on April 19, 2018.
(5) The full compensation of Mr. Antoine Frérot is presented in Section 7.4.1.1 below. At its meetings of March 6, 2018 and March 5, 2019, the Board of Directors took note of the renewal of Mr. Antoine Frérot's decision to waive receipt of his compensation for 2018 and 2019.
(6) Mr. Pavel Páša and Mr. Pierre Victoria were appointed as Directors representing employees by the Group's European and France 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 the compensation awarded for his duties as director to his trade union and Mr. Pavel Páša's intention to transfer the compensation awarded for his duties as director to an organization representing or assisting employees. Mr. Pierre Victoria's term of office expired on October 14, 2018. Mr. Franck Le Roux was appointed as his replacement by the Group France Works Council on October 15, 2018. Mr. Franck Le Roux's decision to transfer the compensation awarded for his duties as director to his trade union was recorded.
(7) The term of office of Qatari Diar Real Estate Investment Company expired on March 15, 2018.
(8) Paul-Louis Girardot's term of office expired on April 19, 2018.
(9) Mr. Serge Michel's term of office expired on March 15, 2019.

Amount and allocation of compensation awarded for duties as director in 2020

In accordance with the recommendations of the Compensation Committee, the Board of Directors' Meeting of March 10, 2020 decided to retain unchanged the total amount of compensation awarded to its members for 2020;

In addition, the Board of Directors took note of the renewal of Mr. Antoine Frérot's decision to waive receipt of the compensation awarded for his duties as Chairman of the Board of Directors for 2020.

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, 2019 (see Section 7.3.3 above), (excluding the Chairman and Chief Executive Officer) received total gross compensation of €6,662,353 in 2019 (for an Executive Committee comprising ten members excluding the Chairman and Chief Executive Officer), compared with €7,096,293 in 2018 (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, 2018 and 2019, 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 zone-specific indicators to Group indicators is applied for members of the Executive Committee who are zone Senior Executive Vice-Presidents.

The 2019 average variable compensation of Executive Committee members represents approximately 103% of their fixed compensation.

	Fiscal year 2018 (10 members)	
(in euros)	Amounts payable for the fiscal year	Amounts paid during the fiscal year
Fixed compensation	3,313,531	3,313,531
Annual variable compensation	3,656,509	3,770,999
Directors' fees		
• Paid by Veolia Environnement	-	-
• Paid by controlled companies	-	-
Benefits in kind [(1)]	11,763	11,763
TOTAL	6,981,804	7,096,293

(1) These figures do not include any housing allowances or expatriation compensation paid.

	Fiscal year 2019 (10 members)	
(in euros)	Amounts payable for the fiscal year	Amounts paid during the fiscal year
Fixed compensation	3,659,222	3,659,230
Annual variable compensation	3,771,044	3,504,443
Directors' fees		
• Paid by Veolia Environnement	-	-
• Paid by controlled companies	-	-
Benefits in kind [(1)]	12,549	12,549
TOTAL	7,442,815	7,176,222

(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 Supplementary group pension plan

7.4.2.1.1 Description

Supplementary defined benefit group pension plan in place until June 30, 2014

The defined benefit group pension plan open to all executives of category eight 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 eight 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.

Supplementary defined contribution pension plan in place from July 1, 2014

After a favorable opinion of the Works Council and the Nominations and Compensation Committee, the Board of Directors, decided, at 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 eight 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 eight 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 eight 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 seniority used for calculation purposes will be that as of 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 eight 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 €1.9 million and €2.3 million, the potential annuity of the Chairman and Chief Executive Officer under all pension plans (including the basic social security retirement plan, the complementary pension plans and the Company's group supplementary pension plans) could represent a theoretical amount of approximately 7% to 8% of his annual compensation.

7.4.2.1.2 Features

Defined benefit pension plan

Pursuant to Article D. 225-104-1 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 eight times the annual social security ceiling (€324,192 in 2019);
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.* €32,419 in 2019);
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 eight 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 seniority used for calculation purposes will be that as of 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 eight times the annual social security ceiling.

   At the end of 2019, 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 €36,000, 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).

Supplementary defined contribution pension plan

Pursuant to Article D. 225-104-1 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 (€121,572 in 2019). 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 2019, 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 €36,000;
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.

The renewal of Mr. Antoine Frérot's benefits, as Chairman and Chief Executive Officer, under the supplementary defined contribution pension plan was approved by the General Shareholders' Meeting of April 19, 2018 (6th resolution).

7.4.2.2 Other benefits

Mr. Antoine Frérot is also entitled to a company car and welfare benefits equivalent to those of employees (healthcare and insurance).

7.4.2.3 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 three 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 three fiscal years ended before the termination of his duties**.

The renewal of this compensation in the event of termination of Mr. Antoine Frérot's term of office was ratified by the Company's Combined General Meeting of April 19, 2018.

7.4.3 LONG TERM INCENTIVES PLANS

7.4.3.1 Company policy for share subscription or purchase options, free shares and performance shares

Company policy for performance share grants in 2018 – Plan no. 1

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 three-year vesting period relating to fiscal years 2018, 2019 and 2020) to replace the Management Incentive Plan (MIP), which expired in April 2018.

In accordance with the Group's compensation policy and the authorization granted by the Veolia Environnement General Shareholders' Meeting of April 19, 2018, the Board of Directors decided on May 2, 2018, at the recommendation of the Compensation Committee, to grant:

- 248,580 free shares, *i.e.* 0.04% of the share capital as of December 31, 2018, to all employees of the France scope (49,716 beneficiaries);
- 1,731,368 performance shares, *i.e.* 0.31% of the share capital as of December 31, 2018 to approximately 700 top executives and high-potential employees of the Group.

In this context, 49,296 performance shares were granted to Mr. Antoine Frérot (*i.e.* approximately 0.01% of the share capital compared with 0.04% authorized by the General Shareholders' Meeting).

In addition, 1,682,072 performance shares (*i.e.* 0.30% of the share capital), with a fair value under IFRS 2 of €25,466,570, were granted to other employee beneficiaries as follows:

- key positions (449 beneficiaries including the Executive Committee and the Management Committee): 1,301,072 performance shares (*i.e.* 0.23% of the share capital);
- high potential employees (116 beneficiaries): 183,000 performance shares (*i.e.* 0.03% of the share capital);
- key contributors (111 beneficiaries): 198,000 performance shares (*i.e.* 0.04% of the share capital).

These performance shares will vest subject to the following conditions:

- a **presence condition** until the end of the three-year vesting period *i.e.* until the expiry of the plan scheduled for May 2, 2021; and
- a **financial performance condition** corresponding to an average growth in current net income attributable to owners of the Company per share (CAGR: Compound Annual Growth Rate) of 10% per year, as recorded at the end of the plan period in 2021, based on results for the 2018, 2019 and 2020 fiscal years compared with the 2017 base year. If this average growth is less than 5%, no performance shares will vest. Shares will vest on a proportional basis between 5% and 10%.

At the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 6, 2018 decided that the following holding obligations would apply should this performance share plan be implemented:

- for the **Chairman and Chief Executive Officer**, obligation to retain, until the end of his duties, 40% of the total performance shares granted under this plan, net of applicable taxes and social security contributions, until an overall shareholding corresponding to 200% of his gross fixed compensation is ultimately reached;
- for the **members of the Company's Executive Committee**, obligation to retain, until the end of their duties within the Executive Committee, 25% of the total performance shares granted under this plan, net of applicable taxes and social security contributions, until an overall shareholding corresponding to 100% of their gross fixed annual compensation is ultimately reached.

Company policy for performance share grants in 2019 – Plan no. 2

The Board of Directors' Meeting of March 5, 2019, 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 2019.

In this context, the Board of Directors decided, for fiscal year 2019, to favor the grant of performance shares (with a three-year vesting period relating to fiscal years 2019, 2020 and 2021).

In accordance with the Group's compensation policy and the authorization granted by the Veolia Environnement General Shareholders' Meeting of April 18, 2019, the Board of Directors decided on April 30, 2019, at the recommendation of the Compensation Committee, to grant:

- 1,131,227 performance shares, *i.e.* 0.20% of the share capital at this date, to approximately 450 beneficiaries including executives, high-potential employees and key contributors of the Group.

In this context, 47,418 performance shares were granted to Mr. Antoine Frérot (*i.e.* approximately 0.01% of the share capital compared with 0.04% authorized by the General Shareholders' Meeting).

In addition, 1,083,809 performance shares (*i.e.* 0.19% of the share capital), with a fair value under IFRS 2 of €18,576,486 were granted to other employee beneficiaries as follows:

- key positions (227 beneficiaries including the Executive Committee and the Management Committee): 748,809 performance shares (*i.e.* 0.13% of the share capital);
- high potential employees (102 beneficiaries): 178,000 performance shares (*i.e.* 0.03% of the share capital);
- key contributors (99 beneficiaries): 157,000 performance shares (*i.e.* 0.03% of the share capital).

These performance shares will vest subject to the following conditions:

- beneficiaries must **remain with the Group** until the end of the three-year vesting period *i.e.* until expiry of the plan on May 1, 2022; and
- a **performance condition tied to the attainment of the following internal and external criteria:**
  - an economic criterion,
  - a stock market criterion,
  - CSR (Corporate Social Responsibility) criteria.

The number of performance shares that vest under the plan will depend on the attainment of:

- **an internal economic criteria for 50%** of performance shares granted, assessed on expiry of the plan, based on target average growth in current net income attributable to owners of the Company per share (CAGR: Compound Annual Growth Rate) of 10% per year from 2018, over the reference period comprising fiscal years 2019, 2020 and 2021. No performance shares will vest in respect of this criteria if the average annual growth rate is less than 5%. Shares will vest on a proportional basis between 5% and 10%;
- **an external stock market performance criteria for 25%** of performance shares granted, measuring the relative performance of the total shareholder return (TSR) of the Veolia Environnement share (including dividends) compared with the CAC 40 index ("the Index"). This performance will be determined as of December 31, 2021, the fiscal year preceding the vesting date and calculated over the three fiscal years, 2019, 2020 and 2021, corresponding to the reference period (the "Reference Period") preceding the vesting of the shares.

This performance condition will apply to the Reference Period as follows: if the TSR of the Veolia Environnement share over three years:

- increases less than the Index: no shares will vest,
- increases in the same amount as the index: 50% of the performance share grant will vest,
- increases 10% or more compared to the index: all performance shares will vest,
- between the rate of increase in the Index and an increase in the TSR of the Veolia Environnement share of 10% higher than the Index: the number of shares that vest will be determined by linear interpolation (proportional basis);

- **external and internal CSR (Corporate Social Responsibility) performance criteria for 25%** of performance shares granted, assessed on maturity of the plan as follows:

  (i) 12.5% of performance shares granted if Veolia is in the Top 10% best performing Utilities sector companies in the FTSE4GOOD non-financial index during the three reference fiscal years (2019, 2020 and 2021), as follows:

  - if Veolia is in the Top 10% Utilities sector companies during the three reference fiscal years: all performance shares granted will vest,
  - if Veolia is in the Top 10% Utilities sector companies during two reference fiscal years: 66% of the performance share grant will vest,
  - if Veolia is in the Top 10% Utilities sector companies during one reference fiscal year: 33% of the performance share grant will vest,
  - if Veolia is not in the Top 10% Utilities sector companies during the three reference fiscal years: no performance shares will vest,

  (ii) 12.5% of performance shares granted based on the attainment of the circular economy revenue growth objective over the three reference fiscal years (2019, 2020 and 2021), as published in the Company's annual financial statements (basis: fiscal year 2018), as follows:

  - if the average growth in circular economy revenue exceeds the average growth in Group revenue by 2.5% or more: all performance shares will vest,
  - if the average growth in circular economy revenue is less than or equal to the average growth in Group revenue: no shares will vest,
  - between these two thresholds, the number of shares that vests will be determined by linear interpolation (proportional basis).

At the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 5, 2019 decided, in the context of the implementation of this performance share plan, to renew the holding obligations decided by the Board of Directors' Meeting of March 6, 2018 for the performance share plan of May 2, 2018, as follows:

- for the **Chairman and Chief Executive Officer**, obligation to retain, until the end of his duties, 40% of the total performance shares granted under this plan, net of applicable taxes and social security contributions, until an overall shareholding corresponding to 200% of his gross fixed compensation is ultimately reached;
- for the **members of the Company's Executive Committee**, obligation to retain, until the end of their duties within the Executive Committee, 25% of the total performance shares granted under this plan, net of applicable taxes and social security contributions, until an overall shareholding corresponding to 100% of their gross fixed annual compensation is ultimately reached.

In accordance with the provisions of the AFEP-MEDEF Code, the Board of Directors' Meeting of April 30, 2019 set the percentage of compensation corresponding to the performance shares granted, notably, to the Chairman and Chief Executive Officer. **At the recommendation of the Compensation Committee, the Board of Directors decided that the Chairman and Chief Executive Officer would receive a performance share grant equal to and capped at 100% of his 2019 fixed compensation.**

Company policy for performance share grants in 2020

The Board of Directors' Meeting of March 10, 2020, 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 2020.

In this context, the Board of Directors decided, for fiscal year 2020, to favor the grant of performance shares (with a three-year vesting period relating to fiscal years 2020, 2021 and 2022).

The Board will therefore seek authorization from the Combined General Meeting of April 22, 2020 (resolution 23), for a period of 26 months, to grant performance shares to a group of 450 beneficiaries comprising top executives, high potential employees and key contributors of the Group, including the Chairman and Chief Executive Officer. This plan, which is intended to be launched in 2020 with an expiry date in 2023 following the publication of the 2022 financial statements, would replace the plan granted in 2019.

This plan would be subject to the following limits:

- a **global limit of 0.5%** of the share capital, assessed at the date of General Shareholders' Meeting of April 22, 2020, including a **sub-limit of 0.04% of the share capital** on the grant of performance shares to the **Chairman and Chief Executive Officer**.

The vesting of performance shares would be subject to the following conditions:

- beneficiaries must **remain with the Group** until the end of the three-year vesting period *i.e.* until expiry of the plan scheduled for 2023; and
- a **performance condition tied to the attainment of the following internal and external criteria:**
  - **financial criteria in the amount of 50%,**
  - **quantifiable non-financial criteria in the amount of 50%.**

The number of performance shares that vest under the plan will depend on the attainment of:

For the 50% **financial** quantifiable portion:

- **a Profitability indicator (CNIGS) (economic performance criteria) for 25%** of performance shares granted, assessed on expiry of the plan, based on target average growth in current net income attributable to owners of the Company (CAGR: Compound Annual Growth Rate) of 7% per year from 2019, over the reference period comprising fiscal years 2020, 2021 and 2022;
- if CNIGS as of December 31, 2022 is less than or equal to €847 million, no performance shares will vest under this indicator;
- if CNIGS is equal to or more than €931 million, all performance shares granted under this indicator will vest;
- shares will vest on a proportional basis between these two thresholds;
- **a relative TSR indicator (stock market performance criteria) for 25%** of performance shares granted, measuring the relative performance of the total shareholder return (TSR) of the Veolia Environnement share (including dividends) compared with the Stoxx 600 Utilities (Price) SX6P (European Utilities) index ("the Index"). This performance will be determined as of December 31, 2022 and calculated over the three fiscal years, 2020, 2021 and 2022, corresponding to the reference period (the "Reference Period"). This performance condition will be applied over the reference period as follows:

  If the TSR of the Veolia Environnement share over three years:

  - increases 10% less than the Index: no shares will vest under this indicator,
  - increases in the same amount as the index: 50% of the performance share granted under this indicator will vest,
  - increases by 10% or more compared with the Index: all performance shares granted under this criterion will vest,
  - increases between the Index and 10% higher than the Index: the number of shares that vest under this criterion will be determined by linear interpolation (proportional basis);

For the 50% **non-financial quantifiable** criteria (for these indicators, the 2019 reference point and the 2023 target are indicated in Section 1.1.2.3.6 above of this Universal Registration Document):

- a **climate** indicator (for 5% of performance shares granted): by the end of 2020, annual contribution to avoided GHG emissions in metric tons of CO_2 equivalent, as follows:
  - if the indicator is less than or equal to 12 million metric tons, no performance shares will vest,
  - if the indicator is equal to or more than 14 million metric tons, all performance shares granted under this indicator will vest,
  - between these two thresholds, the number of shares that vests in respect of this indicator will be determined by linear interpolation (proportional basis);
- a **Customer satisfaction** indicator (for 5% of performance shares granted): by the end of 2022, measurement of customer satisfaction using the Net Promoter Score (NPS) methodology, as follows:
  - If more than 50% of revenue is covered by the NPS approach in the 10 largest Business Units ("BU"), based on the following attainment scores:
    - if the overall NPS score is less than 20, no performance shares will vest,
    - if the NPS global score is equal to or more than 30, all performance shares granted under this indicator will vest,
    - between these two thresholds, the number of shares that vests in respect of this indicator will be determined by linear interpolation (proportional basis);
  - If less than 50% of revenue is covered in the 10 largest Business Units, no performance shares will vest in respect of this indicator.
- a **Diversity** indicator (for 10% of performance shares granted): percentage of women appointed among executive officers during the period 2020-2022, as follows:
  - if the indicator is less than or equal to 35%, no performance shares will vest,
  - if the indicator is equal to 42%, 50% of performance shares granted under this indicator will vest,
  - if the indicator is equal to or more than 50%, all performance shares granted under this indicator will vest,
  - between these thresholds, the number of shares that vests in respect of this indicator will be determined by linear interpolation (proportional basis);
- an **Access to essential services** indicator (for 5% of performance shares granted): by the end of 2022, increase in the number of inhabitants benefiting from inclusive systems to access or retain access to water and sanitation services under Veolia contracts at constant scope, as follows:
  - if the indicator is less than or equal to the 2019 base (4.17 million inhabitants), no performance shares will vest,
  - if the indicator increases 10% compared to the 2019 base, all performance shares granted under this indicator will vest,
  - between these two thresholds, the number of shares that vests in respect of this indicator will be determined by linear interpolation (proportional basis);
- an **Innovation** indicator (for 5% of performance shares granted): by the end of 2022, inclusion by the Group in 10 contracts of at least 10 different innovations based on a predefined list presented in Section 7.4 of the Universal Registration Document, as follows:

- if the indicator is less than or equal to 5, no performance shares will vest,
- if the indicator is equal to or more than 10, all performance shares granted under this indicator will vest,
- between these two thresholds, the number of shares that vests in respect of this indicator will be determined by linear interpolation (proportional basis);

- a **Water resource protection** indicator (for 5% of performance shares): by the end of 2022, improvement in the efficiency of drinking water networks (volume of drinking water consumed / volume of drinking water produced), as follows:
  - if the indicator is less than or equal to 72.5%, no performance shares will vest,
  - if the indicator is equal to or more than 74%, all performance shares granted under this indicator will vest,
  - between these thresholds, the number of shares that vests in respect of this indicator will be determined by linear interpolation (proportional basis);
- a **Circular economy/Plastics** indicator (for 5% of performance shares granted): by the end of 2022, volume of transformed plastic, in metric tons of products leaving plastic transformation plants, as follows:
  - if the indicator is less than or equal to 450 thousand metric tons, no performance shares will vest,
  - if the indicator is equal to or more than 530 thousand metric tons, all performance shares granted under this indicator will vest,
  - between these two thresholds, the number of shares that vests in respect of this indicator will be determined by linear interpolation (proportional basis);
- a **Socio-economic footprint** indicator for Veolia's activities in countries where the Group operates (for 5% of performance shares granted): by the end of 2022, measure of wealth created and the number of jobs supported by Veolia in the world using the Local Footprint methodology, calculated by the company Utopies. Attainment of this indicator is measured as follows:
  - if there is an external annual publication in each of the three years (2020, 2021, 2022) on the global impacts and impacts by geographic zone in at least 45 countries, all performance shares granted under this indicator will vest,
  - if there is an external annual publication in two of the three years on the global impacts and impacts by geographic zone in at least 45 countries, 66% of performance shares granted under this indicator will vest,
  - if there is an external annual publication in one of the three years on the global impacts and impacts by geographic zone in at least 45 countries, 33% of performance shares granted under this indicator will vest,
  - if there are no annual publications of the global impacts and impacts by geographic zone in at least 45 countries, no performance shares granted under this indicator will vest.
- a **Biodiversity** indicator (for 5% of performance shares granted): measure of the rate of progress with action plans aimed at improving the impact on the natural environment and biodiversity at sensitive sites, as follows:
  - if the indicator is less than or equal to 30%, no performance shares will vest,
  - if the indicator is equal to or more than 60%, all performance shares granted under this indicator will vest,
  - between these two thresholds, the number of shares that vests in respect of this indicator will be determined by linear interpolation (proportional basis).

Holding obligations applicable to the performance shares granted and vested

At the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 10, 2020 has already decided, in the context of the implementation of this performance share plan (subject to the approval by today's General Shareholders' Meeting of the 15th resolution), to renew the holding obligations decided by the Board of Directors' Meeting of March 5, 2019 for the performance share plan of April 30, 2019, as follows:

- for the **Chairman and Chief Executive Officer**, obligation to retain, until the end of his duties, 40% of the total performance shares granted under this plan, net of applicable taxes and social security contributions, until an overall shareholding corresponding to 200% of his gross fixed compensation is ultimately reached;
- for the **members of the Company's Executive Committee**, obligation to retain, until the end of their duties on the Executive Committee, 25% of the total performance shares granted under this plan, net of applicable taxes and social security contributions, until an overall shareholding corresponding to 100% of their gross fixed annual compensation is ultimately reached.

Percentage of compensation correspopnding to performance shares granted in 2020 to the Chairman and Chief Executive Officer

In accordance with the provisions of the AFEP-MEDEF Code, the Board of Directors, when implementing this performance share plan expected in 2020, will set the percentage of compensation corresponding to the performance shares that would be granted, in particular, to the Chairman and Chief Executive Officer. **At the recommendation of the Compensation Committee, the Board of Directors stipulated that the Chairman and Chief Executive Officer would receive a performance share grant equal to and capped at 100% of his 2020 fixed compensation.**

7.4.3.2 Performance shares

Overview of performance share grants as of December 31, 2019 (AFEP-MEDEF Code Table 9)

	Performance shares	
	Plan n° 1	Plan n° 2
Meeting date	04/19/2018	04/18/2019
Date of the General Shareholders' Meeting	05/02/2018	04/30/2019
Number of shares granted	1,731,368	1,131,227
• of which total number of shares granted to the Chairman and Chief Executive Officer, Mr. Antoine Frérot	49,296	47,418
Share vesting date	05/03/2021	05/01/2022
End of lock-up period	05/03/2021	05/01/2022
Performance conditions	*see Section 7.4.3.1 above*	*see Section 7.4.3.1 above*
Number of shares vested as of 12/31/2019	0	0
Total number of shares canceled or expired	123,646	52,455
Performance shares at the year end	1,607,722	1, 078,772

7.4.3.2.1 Performance shares granted during fiscal year 2019 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	Value of shares using the method adopted in the consolidated financial statements*	Vesting date	Availability date	Performance conditions
Mr. Antoine Frérot (Chairman and Chief Executive Officer)	Plan no. 2 2019	47,418	€812,745	05/01/2022	05/01/2022	*see Section 7.4.3.1 above*

* *Valuation of performance shares as of April 30, 2019 based on the fair value of the share pursuant to IFRS 2 of €17.14.*

7.4.3.2.2 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
Mr. Antoine Frérot (Chairman and Chief Executive Officer)	None	None

7.4.3.2.3 Performance shares granted to the top ten employee beneficiaries other than corporate officers and shares vesting to them

Performance shares granted to the top ten employee beneficiaries other than corporate officers and shares vesting to them	Total number of shares granted/vested	Value of shares using the method adopted in the consolidated financial statements*	Plan number
Shares granted during fiscal year 2019 by Veolia Environnement and any company within the scope of the share grant, to the ten employees of Veolia Environnement and any other company included within this scope, having received the greatest number of shares	83,090	€1,424,163	Plan no. 2
Shares vested during fiscal year 2019 to the ten employees of Veolia Environnement and the aforementioned companies, to whom the greatest number of shares vested**	None	-	-

* *Valuation of performance shares as of April 30, 2019 based on the fair value of the share pursuant to IFRS 2 of €17.14.*
** *Excluding shares vested to employees who have left the Group.*

7.4.3.3 Share subscription or purchase options

Overview of share subscription and/or purchase option grants as of December 31, 2019 (AFEP-MEDEF Code Table 8)

None.

With regard to the share subscription or purchase option grant policy for the Company's Chairman and Chief Executive Officer, as of the date of filing of this Universal Registration Document, it is recalled that the Company does not intend to grant any financial instruments of this nature to the Chairman and Chief Executive Officer, nor to seek authorizations from the General Shareholders' Meeting to grant this type of financial instrument.

7.4.3.3.1 Share subscription or purchase options granted to and/or exercised by executive corporate officers in fiscal year 2019

Share subscription or purchase options granted during the fiscal year to executive corporate officers by Veolia Environnement and any other Group company (AFEP-MEDEF Code Table 4)

Executive corporate officer	Plan number and date	Type of option	Value 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 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	-	-

7.4.3.3.2 Share subscription or purchase options granted to the top ten employee beneficiaries other than corporate officers and options exercised by them

Share subscription 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 2019 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 2019 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.*

7.4.4 COMPONENTS OF COMPENSATION SUBJECT TO SHAREHOLDER VOTE IN ACCORDANCE WITH ARTICLE L. 225-37 AND ARTICLE L. 225-100 OF THE FRENCH COMMERCIAL CODE

7.4.4.1 Approval of the corporate governance report and the fixed, variable and exceptional components of total compensation and benefits of all kind paid during 2019 or awarded in respect of the same fiscal year to Mr. Antoine Frérot by virtue of his duties as Chairman and Chief Executive Officer ("*Ex post* vote")

(Resolution 10)

Pursuant to the provisions of Article L. 225-100 of the French Commercial Code, shareholders are asked in the 10th resolution to approve, based on the corporate governance report, the information detailed in Article 225-37-3 I of the French Commercial Code presented in application of Article L. 225-100 II of the French Commercial Code and, pursuant to Article L. 225-100-III of the French Commercial Code, the fixed, variable and exceptional components of total compensation and benefits of all kinds paid during the previous fiscal year or awarded in respect of the same fiscal year, as set forth in Chapter 7, Section 7.4 of the 2019 Universal Registration Document and summarized in the table below:

Compensation components	Amount	Comment
Fixed compensation	€980,000	At the recommendation of the Compensation Committee, the Board of Directors decided to set at three years the frequency of review of the Chairman and the Chief Executive Officer's fixed compensation, with effect from January 1, 2016, in the absence of any major events. In accordance with the recommendations of the Compensation Committee, the Board of Directors' Meeting of March 5, 2019 decided to renew the frequency of review of fixed and variable compensation at every three years with effect from January 1, 2019, in the absence of any major events. In compliance with this three-year policy, Mr. Antoine Frérot's gross annual fixed compensation was increased to €980,000 from January 1, 2019. This triennial increase of around 3% sought to bring this fixed compensation closer to the median fixed compensation of CAC 40 Chief Executive Officers and the average increase in the fixed compensation of Group managers over the past 3 years.
Variable compensation	€1,206,684	The Board of Directors' Meeting of March 10, 2020, at the recommendation of the Compensation Committee, set and approved the total amount of Mr. Antoine Frérot's variable compensation (quantifiable and qualitative components) for the 2019 fiscal year at €1,206,684. The Board of Directors' Meeting of March 5, 2019, at the recommendation of the Compensation Committee, decided to revise the method of calculating his variable compensation as follows: • respective weight of the quantifiable portion (70%) and of the qualitative portion (30%) unchanged; • 2019 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 2019, or €1,568,000. **Using this method and based on the attainment of the criteria determining the calculation of the variable portion, the amount of this variable portion for 2019 fiscal year was determined as follows:** i) **with respect to the quantifiable criteria:** in line with the medium-term outlook published on February 21, 2019, the criteria for the quantifiable portion of variable compensation were unchanged on 2018 and are therefore allocated as follows. The quantifiable portion is equal to the total of the components resulting from application of each of these criteria separately: • 20% based on Group current EBIT (**93.2%**); • 20% based on net free cash flow before financial investments, financial divestments and dividends (**160%**); • 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) (**104.4**)%; • 30% based on growth in Group ROCE after tax (**106.5%**). The quantifiable variable compensation portion was determined based on the attainment of the 2019 budget objectives which were consistent with the outlook announced to the market on February 21, 2019; The quantifiable variable portion equals **€781,423** reflecting an overall payout ratio of **113.91%**;

Compensation components	Amount	Comment
Variable compensation	€1,206,684	ii) **with respect to the qualitative criteria:** the Board of Directors' Meeting of March 10, 2020 decided to allocate **€425,261** to Mr. Antoine Frérot in respect of the qualitative variable portion of his 2019 compensation, with a payment rate of **144.65%** of the qualitative portion based on an overall assessment founded on the attainment of the following criteria: • health and safety at work (Group lost time injury frequency rate) (**113.7%**); • environmental performance (seven criteria, as indicated in Chapter 7, Section 7.4 of the 2019 Universal Registration Document) (**114.2**%); • managerial performance (**160%**); • Strategic aspects (**160%**). The Board of Director's assessment of these criteria is presented in Chapter 7, Section 7.4.1.1.2 of the 2019 Universal Registration Document. **Mr. Antoine Frérot's variable compensation (quantifiable and qualitative components) for the 2019 fiscal year therefore amounts to €1,206,684, equal to 123.13% of his Base target bonus for the 2019 fiscal year.** **In accordance with Article L. 225-100, II of the French Commercial Code, the variable compensation will be paid to Mr. Antoine Frérot only after approval of the 10th resolution by this General Shareholders' Meeting.**
Multi-year variable compensation	No payment	Mr. Antoine Frérot did not receive any multi-year variable compensation in 2019.
Exceptional compensation	N/A	Mr. Antoine Frérot does not receive any exceptional compensation.
Compensation awarded in respect of an office held as a director	N/A	Mr. Antoine Frérot has waived his right to receive compensation awarded for his duties as Chairman of the Veolia Environnement Board of Directors and in respect of the offices he holds in Group companies.
Grant of stock options and/ or performance shares	Grant of performance shares to a group of around 450 Group executives and key employees of the Group, including the Chairman and Chief Executive Officer	In accordance with the Group's compensation policy and the authorization granted by the Veolia Environnement Extraordinary General Meeting of April 18, 2019, the Board of Directors decided on April 30, 2019, at the recommendation of the Compensation Committee, to grant 1,131,227 performance shares, representing 0.2% of the share capital out of a General Shareholders' Meeting authorization of 0.04%, to approximately 450 beneficiaries, including top executives and high potential employees of the Group. In this context, 47,418 performance shares were granted to Mr. Antoine Frérot (*i.e* approximately 0.01% of the share capital, compared with 0.04% authorized by the General Shareholders' Meeting). The vesting of performance shares would be subject to the following conditions: • beneficiaries **must remain with the Group** until the end of the three-year vesting period *i.e.* until expiry of the plan scheduled for 2022; and • a **performance condition tied to the attainment of the following internal and external criteria:** an economic criterion, a stock market criterion, CSR (Corporate Social Responsibility) criteria. The number of performance shares that vest under this plan will depend on the attainment of: • **an internal economic criteria for 50%** of performance shares granted, assessed on expiry of the plan, based on target average growth in current net income attributable to owners of the Company per share (CAGR: Compound Annual Growth Rate) of 10% per year from 2018, over the reference period comprising fiscal years 2019, 2020 and 2021. No performance shares will vest in respect of this criteria if the average annual growth rate is less than 5%. Shares will vest on a proportional basis between 5% and 10%; • **an external stock market performance criteria for 25%** of performance shares granted, measuring the relative performance of the total shareholder return (TSR) of the Veolia Environnement share (including dividends) compared with the CAC 40 index ("the Index"). This performance will be determined as of December 31, 2021, the fiscal year preceding the vesting date and calculated over the three fiscal years, 2019, 2020 and 2021, corresponding to the reference period (the "Reference Period") preceding the vesting of the shares. This performance condition will be applied over the reference period as follows: if the TSR of the Veolia Environnement share over three years: • increases less than the Index: no shares will vest under this criterion, • increases in the same amount as the index: 50% of the performance share granted under this criterion will vest, • increases by 10% or more compared with the Index: all performance shares granted under this criterion will vest, • increases between the Index and 10% higher than the Index: the number of shares that vest under this criterion will be determined by linear interpolation (proportional basis); • **external and internal CSR (Corporate Social Responsibility) performance criteria** for 25% of performance shares granted, assessed on maturity of the plan as follows:

Compensation components	Amount	Comment
Grant of stock options and/ or performance shares		i) 12.5% of performance shares granted if Veolia is in the Top 10% best performing Utilities sector companies in the FTSE4GOOD non-financial index during the three reference fiscal years (2019, 2020 and 2021), as follows: • if Veolia is in the Top 10% Utilities sector companies during the three reference fiscal years: all performance shares granted under this criterion will vest, • if Veolia is in the Top 10% Utilities sector companies during two reference fiscal years: 66% of performance shares granted under this criterion will vest, • if Veolia is in the Top 10% Utilities sector companies during one reference fiscal year: 33% of performance shares granted under this criterion will vest, • if Veolia is not in the Top 10% Utilities sector companies during the three reference fiscal years: no performance shares will vest under this criterion; ii) 12.5% of performance shares granted based on the attainment of the circular economy revenue growth objective over the three reference fiscal years (2019, 2020 and 2021), as published in the Company's annual financial statements (basis: fiscal year 2018), as follows: • if the average growth in circular economy revenue exceeds the average growth in Group revenue by 2.5% or more: all performance shares granted under this criterion will vest, • if the average growth in circular economy revenue is less than or equal to the average growth in Group revenue: no shares will vest under this criterion, • between these two thresholds, the number of shares that vests under this criterion will be determined by linear interpolation (proportional basis).
	Obligation to hold performance shares granted and vested	At the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 5, 2019 decided, in the context of the implementation of this performance share plan, to renew the holding obligations decided by the Board of Directors' Meeting of March 6, 2018 for the performance share plan of May 2, 2018, as follows: • for the **Chairman and Chief Executive Officer**, obligation to retain, until the end of his duties, 40% of the total performance shares granted under this plan, net of applicable taxes and social security contributions, until an overall shareholding corresponding to 200% of his gross fixed compensation is ultimately reached; • for the **members of the Company's Executive Committee**, obligation to retain, until the end of their duties on the Executive Committee, 25% of the total performance shares granted under this plan, net of applicable taxes and social security contributions, until an overall shareholding corresponding to 100% of their gross fixed annual compensation is ultimately reached. In accordance with the provisions of the AFEP-MEDEF Code, the Board of Directors' Meeting of April 30, 2019 set the percentage of compensation corresponding to the performance shares granted to the Chairman and Chief Executive Officer. **At the recommendation of the Compensation Committee, the Board of Directors decided that the Chairman and Chief Executive Officer would receive a performance share grant equal to and capped at 100% of his 2019 fixed compensation.**
Severance payment	No payment	Mr. Antoine Frérot is entitled to a severance payment in the event of termination of his duties 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 (excluding excluding compensation awarded for his duties as director 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 portions ("Variable Portion") paid or payable in respect of the last 3 fiscal years ending before the termination of his duties as Chief Executive Officer ("Reference Compensation"). The amount of this severance payment and its fixed and variable portions depends in both cases on the extent to which performance conditions were attained. 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 three fiscal years) and (2) the Fixed Component of the Reference Compensation (last fiscal year) corrected by a "Performance Rate" corresponding to the average percentage attainment of the target bonus (also called "base bonus", equal to meeting 100% of the annual objectives) for the last three fiscal years closed before the termination of his duties. Note that Mr. Antoine Frérot terminated his employment contract as of January 1, 2010 and that the termination of his employment contract caused him to lose the right under the collective bargaining agreement to receive severance compensation for his years of service within the Group (over 19 years as of that date). In compliance with the procedure concerning related-party agreements and undertakings, this agreement was authorized by the Board of Directors on March 6, 2018 and approved by the General Shareholders' Meeting of April 19, 2018 (7th resolution).

Compensation components	Amount	Comment
Supplementary pension plan	No payment	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 category eight and higher management employees (including the Chairman and 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; • to change, effective July 1, 2014, the existing supplementary defined contribution group pension plan with the following main features: • this plan is open to all executives of category eight and higher (including the Chairman and Chief Executive Officer), • its funding is ensured by contributions to the plan equal to a percentage of the compensation of the relevant employees, • contribution payments break down as follows: 2.25% employer contribution for tranches A, B and C; 1.25% employee contribution for tranches A, B and C; 4.50% employer contribution above tranche C; 2.50% employee contribution above tranche C, • 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 primarily 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 to the supplementary defined contribution pension plan, insofar as they relate to the Chairman and Chief Executive Officer, were authorized by the Board of Directors' Meeting of March 6, 2018 and approved by the General Shareholders' Meeting of April 19, 2018 (6th 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, the 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 contribution plan will provide a larger annuity. Assuming a retirement age of 62 and based on a total annual compensation level of between €1.9 million and €2.3 million, the potential annuity of the Chairman and Chief Executive Officer under all pension plans (including the basic social security retirement plan, the complementary pension plans and the Company's group supplementary pension plans) could represent a theoretical amount of approximately 7% to 8% 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 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 6, 2018 and approved by the General Shareholders' Meeting of April 19, 2018 (6th resolution).
Compensation in kind	€1,676	Mr. Antoine Frérot enjoys the use of a company car.

***Tenth resolution:* Vote on the compensation paid during 2019 or awarded in respect of the same fiscal year to Mr. Antoine Frérot by virtue of his duties as Chairman and Chief Executive Officer**

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Meetings and having considered the Board of Directors' report and the Corporate Governance report referred to in Article L. 225-37 of the French Commercial Code, approves, for the Chairman and Chief Executive Officer, the information detailed in Article 225-37-3 I of the French Commercial Code presented in application of Article L. 225-100 II of the French Commercial Code and, pursuant to Article L. 225-100-I of the French Commercial Code, the fixed, variable and exceptional components of total compensation and benefits of all kinds paid during the previous fiscal year or awarded in respect of the same fiscal year, as set forth in Chapter 7, Section 2019 of the 2019 Universal Registration Document.

7.4.4.2 Vote on the compensation policy for the Chairman and Chief Executive Officer for fiscal year 2020 ("*Ex ante* vote")

(Resolution 12)

Pursuant to the provisions of Article L. 225-37-2 II of the French Commercial Code, shareholders are asked in the 12th resolution to approve the compensation policy for the Chairman and Chief Executive Officer for fiscal year 2020. Note that all these components are presented in Chapter 7, Section 7.4 of the 2019 Universal Registration Document and summarized in the table below.

In addition to the fixed, variable and exceptional compensation components, **the Chairman and Chief Executive Officer would be entitled, as in 2019, to a company car, a supplementary defined contribution pension plan and collective healthcare and insurance plans. Furthermore, he would be entitled to severance payments according to the 7th resolution approved by the General Shareholders' Meeting of April 19, 2018. Finally, he could be entitled to the grant of performance shares if the 23rd resolution is approved by your General Shareholders' Meeting.** He waived the right to receive Directors' fees and does not benefit from 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 variable compensation is subject to approval by an Ordinary General Meeting of the Chairman and Chief Executive Officer's compensation in accordance with Article L. 225-100 of the French Commercial Code.

2020 compensation policy	Amount	Comment
2020 fixed compensation	€980,000	In accordance with the recommendations of the Compensation Committee, the Board of Directors' Meeting of March 5, 2019 decided to renew the frequency of review of fixed and variable compensation at every three years with effect from January 1, 2019, in the absence of any major events. In compliance with this three-year policy, Mr. Antoine Frérot's gross annual fixed compensation was increased to €980,000 from January 1, 2019. During its meting of March 10, 2020, the Board of Directors confirmed that this policy would apply for 2020.
2020 variable compensation		The proposed quantitative objectives for 2020 have been determined in the context of the new 2020-2023 strategic plan and notably the implementation of the Company's Purpose and all its performance indicators for stakeholders (multifaceted performance). In order to integrate the multifaceted performance indicators relating to the Company's Purposes, the Board of Directors' Meeting of March 10, 2020, at the recommendation of the Compensation Committee, decided to amend the calculation method for variable compensation as follows: • increase in the weight of the auditable quantifiable portion to 80% and decrease in the weight of the qualitative portion to only 20%, • the 80% auditable quantifiable portion will consist 50% of financial quantifiable objectives and 30% of non-financial quantifiable objectives, • 2020 target variable compensation (in the event of attainment of the objectives set by the Board of Directors) is set at 100% of the annual fixed compensation ("Base target bonus"); • variable compensation is capped (in the event objectives are exceeded) at 160% of annual fixed compensation for 2020, or €1,568,000. (i) **with respect to the quantifiable criteria:** in line with the medium-term outlook published on February 27, 2020, the criteria for the quantifiable portion of variable compensation break down as follows. The quantifiable portion is equal to the total of the components resulting from application of each of these criteria separately: For the **50% financial quantifiable portion**: • 15% based on the **Profitability** indicator **(CNIGS)**: current net income - Group share; • 10% based on the **Investment Capacity** indicator **(free cash flow)**: before financial acquisition/divestments and dividends but after financial expenses and taxes; • 15% based on the **Group Growth** indicator **(revenue)**: Group organic revenue excluding acquisitions and divestitures of more than €100 million but including acquisitions of privatized public services; • 10% based on the **Capital Return** indicator **(ROCE)**: Group ROCE after tax and including the return on capital employed of joint ventures and companies, after IFRS 16 lease adjustments. These financial indicators are defined in Chapter 3, Section 3.10 of the 2019 Universal Registration Document. The financial quantifiable variable compensation portion will be determined based on the attainment of the 2020 budget objectives which are consistent with the outlook announced to the market on February 28, 2020.

2020 compensation policy	Amount	Comment
2020 variable compensation		For the **30% non-financial quantifiable portion**: • 5% based on the **Health and Safety** indicator: improvement and reduction in the injury frequency rate; • 5% based on the **Ethics and Compliance** indicator:% of positive answers to the commitment survey question "Are Veolia's values applied in my entity" (Top 5000 Group employees); • 5% based on the **Climate** indicator (invest in the transition to carbon neutrality to achieve zero facilities powered by coal in Europe by 2030, for facilities where the Group controls investment): completion rate for scheduled investment to reduce greenhouse gas emissions; • 5% based on the **Hazardous waste treatment and recovery** indicator: consolidated revenue growth of the "Liquid and hazardous waste treatment and recovery" segment; • 5% based on the **employee Commitment** indicator: commitment rate of employees measured by a commitment survey conducted by an external body (clear objectives, meaning and usefulness, work atmosphere, pride in the Group, willingness to recommend Veolia); • 5% for the **Training** indicator: average number of training hours per employee per year (upskilling training actions). The non-financial quantifiable variable compensation portion will be determined based on the realization of the 2020 objectives for the indicators concerned as detailed in Chapter 7, Section 7.4 of the 2019 Universal Registration Document and recalled in the Notice of Meeting and information brochure for the General Shareholders' Meeting of April 22, 2020. (ii) **with respect to the qualitative criteria:** the qualitative portion (20% of the target bonus) will be based on an overall assessment by the Board of Directors, at the recommendation of the Compensation Committee, based notably on the following individual objectives: • strategic aspects; • managerial performance.

Planned grant of performance shares to a group of around 450 Group executives, high potential managers and key contributors, including the Chairman and Chief Executive Officer		At the recommendation of the Compensation Committee, the Board of Directors asks shareholders in the 23rd resolution presented to the General Shareholders' Meeting of April 22, 2020, to approve an authorization, for a period of 26 months, to grant performance shares to a group of 450 beneficiaries comprising top executives, high potential employees and key contributors of the Group, including the Chairman and Chief Executive Officer. This plan, which is intended to be launched in 2020 with an expiry date in 2023 following the publication of the 2022 financial statements, would succeed to the plan granted in 2019.
		This plan would be subject to the following limits:
		• a **global limit** of 0.5% of the share capital, assessed at the date of this General Shareholders' Meeting, including a **maximum sub-limit** of 0.04% of the share capital on the grant of performance shares to the Chairman and Chief Executive Officer.
		The vesting of performance shares would be subject to the following conditions:
		• beneficiaries **must remain with the Group** until the end of the three-year vesting period *i.e.* until expiry of the plan scheduled for 2023; and
		• a **performance condition tied to the attainment of the following internal and external criteria:**
		  • **financial criteria in the amount of 50%,**
		  • **quantifiable non-financial criteria in the amount of 50%.**
		The number of performance shares that vest under this plan will depend on the attainment of:
		For the 50% **financial** quantifiable portion:
		• **a Profitability indicator (CNIGS) (economic performance criteria) for 25%** of performance shares granted, assessed on expiry of the plan, based on target average growth in current net income attributable to owners of the Company (CAGR: Compound Annual Growth Rate) of 7% per year from 2019, over the reference period comprising fiscal years 2020, 2021 and 2022;
		  • if CNIGS as of December 31, 2022 is less than or equal to €847 million, no performance shares will vest under this indicator,
		  • if CNIGS is equal to or more than €931 million, 100% of performance shares will vest under this indicator,
		  • shares will vest on a proportional basis between these two thresholds;
		• **a relative TSR indicator (stock market performance criteria) for 25%** of performance shares granted, measuring the relative performance of the total shareholder return (TSR) of the Veolia Environnement share (including dividends) compared with the Stoxx 600 Utilities (Price) SX6P (European Utilities) index ("the Index"). This performance will be determined as of December 31, 2022, the fiscal year preceding the vesting date and calculated over the three fiscal years, 2020, 2021 and 2022, corresponding to the reference period (the "Reference Period") preceding the vesting of the shares. This performance condition will be applied over the reference period as follows:

2020 compensation policy	Amount	Comment
Planned grant of performance shares to a group of around 450 Group executives, high potential managers and key contributors, including the Chairman and Chief Executive Officer		• if the TSR of the Veolia Environnement share over three years: • increases 10% less than the Index: no shares will vest under this criterion, • increases in the same amount as the index: 50% of the performance share granted under this indicator will vest, • increases by 10% or more compared with the Index: all performance shares granted under this indicator will vest, • increases between the Index and 10% higher than the Index: the number of shares that vest under this criterion will be determined by linear interpolation (proportional basis); For the 50% **non-financial quantifiable** criteria (*N.B.* the 2019 reference point and the 2023 target for these indicators are presented in Section 1.2.4.6 above of the Universal Registration Document): • a **climate** indicator (for 5% of performance shares granted): by the end of 2020, annual contribution to avoided GHG emissions in metric tons of CO_2 equivalent, as follows: • if the indicator is less than or equal to 12 million metric tons, no performance shares will vest, • if the indicator is equal to or more than 14 million metric tons, all performance shares granted under this indicator will vest, • between these two thresholds, the number of shares that vests under this indicator will be determined by linear interpolation (proportional basis); • a **Customer satisfaction** indicator (for 5% of performance shares granted): measurement of customer satisfaction using the Net Promoter Score (NPS) methodology, as follows: If more than 50% of revenue is covered by the NPS approach in the 10 largest Business Units ("BU"), based on the following attainment scores: • if the overall NPS score is less than 20, no performance shares will vest, • if the NPS global score is equal to or more than 30, all performance shares granted under this indicator will vest, • between these two thresholds, the number of shares that vests in respect of this indicator will be determined by linear interpolation (proportional basis); If less than 50% of revenue is covered in the 10 largest Business Units, no performance shares will vest in respect of this indicator; • a **Diversity** indicator (for 10% of performance shares granted): percentage of women appointed among executive officers during the period, as follows: • if the indicator is less than or equal to 35%, no performance shares will vest, • if the indicator is equal to 42%, 50% of performance shares granted under this indicator will vest, • if the indicator is equal to 50%, all performance shares granted under this indicator will vest, • between these thresholds, the number of shares that vests under this indicator will be determined by linear interpolation (proportional basis); • an **Access to essential services** indicator (for 5% of performance shares granted): increase in the number of inhabitants benefiting from inclusive systems to access or retain access to sanitation services under Veolia contracts at constant scope, as follows: • if the indicator is less than or equal to the 2019 base (4.17 million inhabitants), no performance shares will vest, • if the indicator increases 10% compared to the 2019 base, all performance shares granted under this indicator will vest, • between these two thresholds, the number of shares that vests in respect of this indicator will be determined by linear interpolation (proportional basis); • an **Innovation** indicator (for 5% of performance shares granted): by the end of 2022, inclusion by the Group in 10 contracts of at least 10 different innovations based on a predefined list presented in Section 7.4 of the Universal Registration Document, as follows: • if the indicator is less than or equal to 5, no performance shares will vest, • if the indicator is equal to or more than 10, all performance shares granted under this indicator will vest, • between these two thresholds, the number of shares that vests in respect of this indicator will be determined by linear interpolation (proportional basis);

2020 compensation policy	Amount	Comment
Planned grant of performance shares to a group of around 450 Group executives, high potential managers and key contributors, including the Chairman and Chief Executive Officer		• a **Water resource protection** indicator (for 5% of performance shares): improvement in the efficiency of drinking water networks (volume of drinking water consumed / volume of drinking water produced), as follows: • if the indicator is less than or equal to 72.5%, no performance shares will vest, • if the indicator is equal to or more than 74%, all performance shares granted under this indicator will vest, • between these thresholds, the number of shares that vests under this indicator will be determined by linear interpolation (proportional basis); • a **Circular economy/Plastics** indicator (for 5% of performance shares granted): volume of transformed plastic, in metric tons of products leaving plastic transformation plants, as follows: • if the indicator is less than or equal to 450 thousand metric tons, no performance shares will vest, • if the indicator is equal to or more than 530 thousand metric tons, all performance shares granted under this indicator will vest, • between these two thresholds, the number of shares that vests in respect of this indicator will be determined by linear interpolation (proportional basis); • a **Socio-economic footprint** indicator for Veolia's activities in countries where the Group operates (for 5% of performance shares granted): measure of wealth created and the number of jobs supported by Veolia in the world using the local footprint methodology, calculated by the company Utopies. Attainment of this indicator will be measured as follows: • if there is an external annual publication in each of the three years (2020, 2021, 2022) on the global impacts and impacts by geographic zone in at least 45 countries, all performance shares granted under this indicator will vest, • if there is an external annual publication in two of the three years on the global impacts and impacts by geographic zone in at least 45 countries, 66% of performance shares granted under this indicator will vest, • if there is an external annual publication in one of the three years on the global impacts and impacts by geographic zone in at least 45 countries, 33% of performance shares granted under this indicator will vest, • if there are no annual publications of the global impacts and impacts by geographic zone in at least 45 countries, no performance shares granted under this indicator will vest; • a **Biodiversity** indicator (for 5% of performance shares granted): measure of the rate of progress with action plans aimed at improving the impact on the natural environment and biodiversity at sensitive sites, as follows: • if the indicator is less than or equal to 30%, no performance shares will vest, • if the indicator is equal to or more than 60%, all performance shares granted under this indicator will vest, • between these two thresholds, the number of shares that vests in respect of this indicator will be determined by linear interpolation (proportional basis).
	Obligation to hold performance shares granted and vested	At the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 10, 2020 has already decided, in the context of the implementation of this performance share plan (subject to the approval by today's General Shareholders' Meeting of the 23rd resolution), to renew the holding obligations decided by the Board of Directors' Meeting of March 5, 2019 for the performance share plan of May 30, 2019, as follows: • for the **Chairman and Chief Executive Officer**, obligation to retain, until the end of his duties, 40% of the total performance shares granted under this plan, net of applicable taxes and social security contributions, until an overall shareholding corresponding to 200% of his gross fixed compensation is ultimately reached; • for the **members of the Company's Executive Committee**, obligation to retain, until the end of their duties on the Executive Committee, 25% of the total performance shares granted under this plan, net of applicable taxes and social security contributions, until an overall shareholding corresponding to 100% of their gross fixed annual compensation is ultimately reached. In accordance with the provisions of the AFEP-MEDEF Code, the Board of Directors, when implementing this performance share plan expected in 2020, will set the percentage of compensation corresponding to the performance shares that would be granted, in particular, to the Chairman and Chief Executive Officer. **At the recommendation of the Compensation Committee, the Board of Directors stipulated that the Chairman and Chief Executive Officer would receive a performance share grant equal to and capped at 100% of his 2020 fixed compensation.**

Twelfth resolution: Vote on the compensation policy for the Chairman and Chief Executive Officer for fiscal year 2020

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Meetings and having considered the Board of Directors' report and the Corporate Governance report referred to in Article L. 225-37 of the French Commercial Code, describing the components of the corporate officer compensation policy, approves, in accordance with Article 225-37-2 II of the French Commercial Code, the compensation policy for 2020 for the Chairman and Chief Executive Officer as presented in Chapter 7, Section 7.4 of the 2019 Universal Registration Document.

Innovation indicator – Predefined list of innovations

Issue	Innovations
Health and new pollutants	• Indoor air quality • Micro pollutants in water: medicinal substances, microplastics, PFAS, pesticides, etc. • "Off grid" solutions for accessing water and sanitation services • Building hygiene
Adapting to climate change	• Water reuse • Crisis management - Mobile solutions (drinking water, wastewater, process water) • Flood prevention • Urban cool islands • Monitoring urban biodiversity
New material loops	• Recycling and recovery of electric car batteries • Recycling and recovery of solar panels • Recycling and recovery of building materials • Recycling and recovery of materials not listed above, other than paper, WEEE, solvents and mechanical recycling of plastic waste • Carbon capture and use • Ecodesign of products and services with industrial partners • Incubation of entrepreneurs with a social impact
Food chain	• Recovery of organic waste as fertilizer (other than traditional composting / anaerobic digestion / spreading solutions) or animal proteins • Ecological aquaculture • Urban farming
New energy services	• Microgrids • Multi-energy networks • Electric flexibility and demand management; energy storage; Virtual Power Plants • Energy production using water networks
New digital services	• Digital management solutions for water plants and networks • Artificial intelligence for waste sorting and recovery • Interactive digital platform for waste collection and recovery • Digital marketplace for secondary raw materials (*e.g.* plastic) • Digital solutions for optimized maintenance or energy efficiency at customer facilities

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 6, Section 6.5.5.4 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 6, Section 6.5.2.2 above), 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, 2019, members of the Board of Directors, including the non-voting member (*censeur*), held a total of 33,431,318 Veolia Environnement shares, representing 5.9% of the Company's share capital as of that date.

The table below details transactions in Veolia Environnement securities during fiscal year 2019 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 2019:

Director	Financial instrument	Type of transaction	Transaction date	Transaction location	Unit price *(in euros)*	Volume of securities	Total transaction amount *(in euros)*
Maryse Aulagnon, *Senior Independent Director, related to MAB-Finances* (1) *(Finestate) (Chairman and Chief Executive Officer)*	Shares	Acquisition	11/19/2019	Euronext Paris	23.11	4,003	92,509.33
Maryse Aulagnon, *Senior Independent Director, related to MAB-Finances* (1) *(Finestate) (Chairman and Chief Executive Officer)*	Shares	Acquisition	11/19/2019	Turquoise	23.11	57	1,317.27
Maryse Aulagnon, *Senior Independent Director, related to MAB-Finances* (1) *(Finestate) (Chairman and Chief Executive Officer)*	Shares	Acquisition	11/19/2019	BATS	23.1050	2,440	56,376.20

(1) Acquisition on November 19, 2019 of 6,500 shares by MAB-Finances (Finestate) of which Maryse Aulagnon is the major shareholder.

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 2019.

7.6 Statutory Auditors' special report on regulated agreements and commitments

General Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2019

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related-party transactions described in IAS 24 or other equivalent accounting standards

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments and agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de Commerce*), to assess the interest involved in respect of the conclusion of these agreements 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 General 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

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 fiscal year to be submitted to the approval of the General Shareholders' Meeting pursuant to Article L. 225-38 of the French Commercial Code (*Code de Commerce*).

2. AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY GENERAL SHAREHOLDERS' MEETINGS

Pursuant to Article R. 225-30 of the French Commercial Code (*Code de Commerce*), 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 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 renewed this authorization.

Employer contributions benefiting the Chairman and Chief Executive Officer totaled €92,992.46 for fiscal year 2019.

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.

The cost of retaining the benefits of this plan for the Chairman and Chief Executive Officer was €12,652.86 for fiscal year 2019.

2.3 Agreement on the Group's withdrawal from Transdev

Board of Directors' Meeting of July 29, 2016

Persons concerned:

- Caisse des dépôts et consignations, legal entity Director with a 5.88% 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.

On January 9, 2019, your Company announced in a press release the completion of the sale to the German Group, Rethmann, of its residual 30% stake in Transdev Group.

Under the terms of these agreements, the specific compensation 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 and extended to include Rethmann in the amount of the respective stake of these two shareholders in Transdev Group, continued in effect in fiscal year 2019 up to December 31, 2019.

2.4 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 – Joint 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.

Your Company recorded royalty fee income of €8,867,000 from Veolia Eau-Compagnie Générale des Eaux for fiscal year 2019.

2.5 Agreement relating to the lease for 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 Veolia Environnement.

Person concerned:

- Caisse des dépôts et consignations, legal entity Director with a 5.88% shareholding in Veolia Environnement, represented by Mr. Olivier Mareuse.

In the context of the relocation of Veolia Environnement's administrative headquarters to Aubervilliers, it is recalled that a 9-year firm lease for off-plan property (BEFA) was signed, subject to receipt of building authorization. Following the receipt of building authorization and the delivery of the building on July 18, 2016, the lease took effect at this date.

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.

Your Company recorded a rental expense payable to the lessor of €17,265,470 in respect of fiscal year 2019.

2.6 Agreements concerning the remuneration of guarantees issued by your Company on behalf of its subsidiaries

Board of Directors' Meeting of May 17, 2011

Agreements 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 – Joint Managing Director of Veolia Eau-Compagnie Générale des Eaux.

The parties agreed on the need to ensure your Company 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.

For fiscal year 2019, your Company recorded income of €1,211,309 in respect of commitments issued on behalf of Veolia Eau-Compagnie Générale des Eaux subsidiaries.

The Statutory Auditors
Paris-La Défense, March 16, 2020

KPMG Audit		**ERNST & YOUNG et Autres**	
A Division of KPMG S.A.			
Valérie Besson	Baudouin Griton	Jean-Yves Jégourel	Quentin Séné

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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

8.1.1 CORPORATE NAME, REGISTERED OFFICE, ADMINISTRATIVE HEADQUARTERS AND WEB SITE

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.

The web site of the Company is www.veolia.com [1].

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 AND LEGAL ENTITY IDENTIFIER

The Company is registered in the Paris Trade and Companies Register under number 403 210 032. The Company's APE Code is 7010 Z. Veolia Environnement's Legal Entity Identifier (LEI) is 969500LENY69X51 OOT31.

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.

(1) The information on the Website is not part of this Universal Registration Document.

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 the legal status as shareholder of their clients to the clearing institution for the meeting appointed by Veolia Environnement, by providing 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 shareholders represented by the registered intermediary.

Procedures

Shareholders wishing to attend the General Shareholders' Meeting in person must apply for an admission card:

- registered shareholders should apply directly to the clearing institution for the Meeting appointed by Veolia Environnement (hereinafter "the clearing institution");
- holders of bearer shares should apply to their financial intermediary.

If a holder of bearer shares wishing to attend the meeting in person has not received their admission card by D-2, they must submit a request to their financial intermediary to issue them with a certificate of shareholding enabling them to provide evidence of their position as a shareholder as of D-2 in order to be admitted.

A notice of the meeting, including a ballot-by-mail voting, proxy or admission card request form, is automatically sent to all registered shareholders. Holders of bearer shares must contact the financial intermediary with whom their shares are registered in order to obtain the ballot-by-mail voting, proxy or admission card request form.

Remote voting

Shareholders who are unable to attend the General Shareholders' Meeting in person may choose from one of the following 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.

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 Universal 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 that do not amend 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 amend 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 submit 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 (https://www.veolia.com/en/veolia-group/finance) 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, 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 BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Composition of the Board - Chairman and Vice-Chairman (Chairmen) of the Board: pursuant to Article 11 of the Articles of Association, the Board of Directors has a minimum of three and a maximum of 18 members, elected by General Shareholders' Meetings subject to exceptions provided by law. The Board of Directors elects a Chairman (see Section 7.2.1.5 above on the Chairman) and, where appropriate, one or two Vice-Chairman (see Section 7.2.1.6 above on the Vice-Chairman), who must be individuals. The term of their duties cannot exceed their term of office as Directors.

Employee representation: pursuant to the employment protection law of June 14, 2013, the Veolia Environnement Board of Directors includes two members representing employees, appointed in accordance with Article 11.2 of the Company's Articles of Association.

Share ownership: Article 11.1 of the Articles of Association requires each member of the Board of Directors to own at least 750 registered shares in the Company throughout their term of office. This provision does not apply to employee shareholders and Directors representing employees, appointed or designated in accordance with legislation (see Section 7.1.1.1 above).

Term of office – age limit applicable to Directors and the Chairman: members of the Board of Directors are appointed individually by Ordinary General Meetings for a period of four years, expiring at the end of the Ordinary General Meeting called to approve the financial statements for the year then ended and held in the year in which their term of office expires (see Section 7.2.1.2 above). Directors may be reappointed, it being noted that:

- at the end of each Annual General Meeting, the number of Directors aged over 70 years of age may not exceed one-third of the total number of Directors in office;
- Article 12 of the Articles of Association states that the Chairman's duties expire, at the latest, at the end of the Ordinary General Meeting called to approve the financial statements for the year then ended, held during the year in which the Chairman reaches 70 years of age.

Powers: the powers of the Board of Directors (see Article 15 of the Articles of Association) are detailed in Sections 7.2.1.4 and 7.3.2 above.

Executive Management: pursuant to Article 19 of the Articles of Association, the Company's Executive Management is assumed, under its responsibility, either by the Chairman of the Board of Directors or by another individual, who may or may not by a Director, appointed by the Board of Directors and with the title of Chief Executive Officer. The decisions of the Board of Directors regarding the choice between these two methods of exercising Executive Management are made in accordance with the Articles of Association. Shareholders and third parties are informed of this choice in accordance with legal provisions (see Section 7.3.1 above).

The Chief Executive Officer has the widest powers to act in all circumstances in the Company's name, within the limits of the corporate purpose and subject to:

- powers expressly conferred on shareholders' meetings and the Board of Directors by prevailing legal and regulatory provisions; and
- powers reserved for and prior authorizations required from the Board of Directors in accordance with the internal regulations of the Board of Directors (see Section 7.3.2 above).

The duration of the Chief Executive Officer's duties and his compensation are set by the Board of Directors. Pursuant to Article 19 of the Articles of Association, the duties of Chief Executive Officer expire, at the latest, at the end of the Ordinary General Meeting called to approve the financial statements for the year then ended, held during the year in which the Chief Executive Officer reaches 70 years of age.

Deputy Chief Executive Officer: pursuant to Article 20 of the Articles of Association and at the recommendation of the Chief Executive Officer, the Board of Directors may appoint one or more individuals to assist the Chief Executive Officer, with the title of Deputy Chief Executive Officer. The maximum number of Deputy Chief Executive Officers is set at five.

In agreement with the Chief Executive Officer, the Board of Directors sets the scope and duration of the powers conferred on each Deputy Chief Executive Officer, who have the same powers as the Chief Executive Officer with regard to third parties. The age limit on the exercise of the duties of Deputy Chief Executive Officer is 70 years of age.

8.1.13 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.

The text of the Company's Articles of Association is available and can be consulted on the Company's website (see Section 8.5 below)

8.2 Litigations and arbitrations

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 judicial, administrative or arbitral proceedings set forth in chapter 4, section 4.1, note 12 annexed 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 judicial, administrative or arbitral 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.

Consolidated reserves booked for all of the Group's disputes (see chapter 4, section 4.1, note 10 to the consolidated financial statements), including reserves for tax and labor law disputes, represent 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, 2019 are approximately €19.1M.

NORTH AMERICA

United States - Flint

See chapter 4, section 4.1, note 12 annexed to the consolidated financial statements, supra.

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 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 the Company 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, 2019, the average annual costs that the Group has incurred with respect to these claims, including amounts paid to plaintiffs, legal fees and expenses, have been $587,540 after reimbursements by insurance companies.

(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.

CENTRAL AND EASTERN EUROPE

Romania

See chapter 4, section 4.1, note 12 annexed to the consolidated financial statements, supra.

Lithuania

See chapter 4, section 4.1, note 12 annexed to the consolidated financial statements, supra.

AFRICA MIDDLE EAST

Egypt

In September 2000, Veolia Propreté entered into a 15-year contract with the Governorate of Alexandria ("Governorate") for the collection and treatment of waste, as well as urban cleaning of the city of Alexandria ("Contract").

In October 2011, Onyx Alexandria, a subsidiary of Veolia Propreté incorporated to perform the Contract, terminated the Contract for serious breach by the Governorate of its payment obligations, and more generally for misconduct committed by the Arab Republic of Egypt ("Egypt"), causing the total loss of the investment made by Veolia Propreté.

In June 2012, Veolia Propreté initiated arbitration proceeding against Egypt on the basis of the France-Egypt bilateral investment treaty ("BIT") and under the auspices of the ICSID (International Center for Settlement of Investment Disputes).

On November 9, 2016, the Governorate initiated arbitration proceedings against Veolia Propreté and Onyx Alexandria before the Cairo Regional Centre for International Commercial Arbitration ("RCICA") and sought compensation for damages resulting from the alleged wrongful termination of the Contract and Onyx Alexandria's breach of its contractual obligations for an amount of 186.2 million Egyptian pounds (which corresponds to an amount of approximately €9,4M). Veolia Propreté and Onyx Alexandria strongly contest the merits of all these claims and.

In an award dated May 25, 2018, the ICSID ruled that the Contract's breaches by the Governorate did not involve sufficiently serious acts of Egypt that could be assimilated to violations of the BIT and consequently rejected all of Veolia Propreté claims for compensation. The arbitral tribunal held in particular that the contractual claims should have been referred to CRCICA according to arbitration clause included in the Contract. In this arbitration, Onyx Alexandria submitted counterclaims for approximately 1 billion Egyptian pounds (approximately 57 million euros) and the Governorate requested the arbitral tribunal's authorization to amend its initial claims for compensation of approximately 28 million euros. The procedure is still ongoing.

ASIA

Hong Kong Sludge

On September 27, 2010, VW-VES (HK) Limited (VW-VES), an indirect subsidiary of the Company, won a tender launched by the Environmental Protection Department of the Government of Hong Kong SAR (HK Government) for the design, construction and operation of a sludge incinerator facility in Hong-Kong. VW-VES outsourced the project's conception, design and construction to a joint-venture (JV) in which Veolia Water South China Limited, an indirect subsidiary of the Company, holds a majority interest.

During the course of the project, various problems, which VW-VES considers are not attributable to it, caused delay and additional significant costs borne by VW-VES and the JV. As a result, VW-VES has sent several claims to HK Government for a total amount of more than €196M (1.8 Billion HK$). On its part, HK Government considers that it is entitled to liquidated damages of approximately €38M (350 M HK$).

In August 2016, after an unsuccessful mediation attempt, VW-VES served a notice of arbitration against HK Government. This case is still ongoing.

OTHER

VWT v. K+S Potash

See chapter 4, section 4.1, note 12 annexed to the consolidated financial statements, supra.

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 5.2.2.4 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 Internvational, 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. These 5-year call options expired on July 25, 2019.

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 €8.9 billion as of December 31, 2019) and through equity. As a result, it received €516.6 million in interest and €379.6 million in dividends in 2019. 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 €474.6 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 €79 million in full and final settlement from Water France Business Unit subsidiaries and paid €96.3 million to Water France Business Unit subsidiaries in 2019.

As part of its operating activities, Veolia Environnement has granted financial and operating guarantees totaling €2,139.7 million as of December 31, 2019.

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 2019 and attributable to the Company as of December 31, 2019, broken down between Veolia Environnement and its Business Units.

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	3,679.9	10,572.6	7,559.1	2,172.2	(159.5)	268.4	24,092.7
Non-Group debt (1)	146.9	1,337.1	957.1	449.9	(189.7)	13,988.7	16,690.0
Net cash per the balance sheet (2)	648.9	(4,026.2)	(1,349.0)	(1,072.0)	(2,049.7)	13,389.1	5,541.1
Net cash flows from operating activities	635.4	1,227.0	701.1	423.4	11.2	120.3	3,118.4
Impact on the financial statements of VE SA *(in millions of euros)*							
Dividends paid during the period and attributable to Veolia Environnement	160.6	0.0	0.0	7.2	211.8		

(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.

8.5 Documents available to the public

The Company's press releases, annual Registration Documents and universal Registration Documents (including notably historical financial information relating to the Company and the Group) filed with the AMF and any related updates, are available on the Company's website at www.veolia.com/en/veolia-group/finance/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/en/veolia-group/finance/regulated-information. The Company's Articles of Association are available on its website. Finally, the minutes of General Shareholders' Meetings, the Statutory Auditors' reports and all other corporate documents, may be consulted at 30, rue Madeleine Vionnet, 93300 Aubervilliers.

8.6 Persons responsible for auditing the financial statements

KPMG SA

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Versailles Regional Auditors' Association).

Represented by Mrs. Valérie Besson and Mr. Baudouin Griton.

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 April 18, 2019 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, 2024.

Ernst & Young et autres

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Versailles Regional Auditors' Association).

Represented by Mr. Jean-Yves Jégourel and Mr. Quentin Séné.

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.

8.7 Financial information included by reference

Pursuant to Commission Regulation (EU) no. 2017/1129, the following information is incorporated by reference in the Universal Registration Document:

- the operating and financial review, the consolidated financial statements and the parent company financial statements for fiscal year 2018 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 2018, filed with the AMF on March 13, 2019 under the number D. 19-0140;
- the operating and financial review, the consolidated financial statements and the parent company financial statements for fiscal year 2017 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 2017, filed with the AMF on March 13, 2018 under the number D. 18-0125.

8.8 Persons assuming responsibility for the Universal Registration Document and the Annual Financial Report AFR

8.8.1 PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

Mr. Antoine Frérot, Chairman and Chief Executive Officer of Veolia Environnement.

8.8.2 STATEMENT BY THE PERSON RESPONSIBLE FOR THE UNIVERSAL 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 Universal 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, and describes the principal risks and uncertainties they face.

Aubervilliers,

March 16, 2020

Chairman and Chief Executive Officer

Antoine Frérot

8.9 Cross-reference tables

8.9.1 UNIVERSAL REGISTRATION DOCUMENT (URD) CROSS-REFERENCE TABLE

This cross-reference table presents the sections detailed in Annexes 1 and 2 of Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 and refers to the pages of this Universal Registration Document where the information for each section can be found.

Heading in Annexes 1 and 2 of the Delegated Regulation of March 14, 2019	Chapters or Sections	Pages
7 – Operating and financial review		
7.1 Financial condition	3.2 to 3.4 and 4.1.6 note 4.1.1 to 4.1.5	82 and 108 to 115
7.2 Operating results	3.2.2, 4.1.2 and 4.1.6 note 5.2	83, 110 and 135
8 – Capital resources		
8.1 Information on the issuer's capital resources	4.1.5 and 4.1.6 note 9	114 and 195
8.2 Sources and amounts of cash flows	3.2.2, 3.3, 4.1.4 and 4.1.6 note 8	91, 95, 112 and 168
8.3 Borrowing requirements and funding structure	2.1.7, 3.3 and 4.1.6 notes 5.3 and 8.1	72, 140 and 168
8.4 Restrictions on the use of capital resources	4.1.6 note 8.1.3	176
8.5 Anticipated sources of funds	N/A	N/A
9 - Regulatory environment	1.6	54
10 – Trend information		
10.1.a Significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last fiscal year	1.3.2 and 3.7	28 and 100
10.1.b Description of any significant change in the financial performance of the Group	N/A	N/A
10.2 Trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects	1.2, 3.7 and 3.9	15, 100 and 101
11 – Profit forecasts or estimates		
11.1. Profit forecasts or estimates	3.9	101
11.2 Principal assumptions upon which the issuer has based its profit forecasts or estimates	3.9	101
11.3 Statement about the basis on which the profit forecasts or estimates have been compiled and prepared	3.9	101
12 – Administrative, management and supervisory bodies and senior management		
12.1 Information concerning members of the Board of Directors and Executive Management	7.1.1, 7.1.2 and 7.3	398, 411 and 428
12.2 Administrative, management and supervisory bodies and senior management conflicts of interests	7.1.3	411
13 – Remuneration and benefits		
13.1 Remuneration and benefits in kind	7.4.1, 7.4.3 and 7.4.4	430, 444 and 451
13.2 Total amounts set aside or accrued to provide for pension, retirement or similar benefits for corporate officers	4.1.6 note 6.4 and 7.4.2	158 and 442
14 – Board practices		
14.1 Date of expiration of current terms of office	7.1.1 and 7.1.2	398 and 411
14.2 Service contracts between members of the administrative, management or supervisory bodies and the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate statement to the effect that no such benefits exist.	4.1.6 note 13, 7.1.3 and 7.6	209, 411 and 461
14.3 Information on the Audit and Compensation Committees	7.2.2.1 and 7.2.2.3	422 and 426
14.4 Statement on compliance with the corporate governance regime(s) applicable to the issuer	7.2.1.1	412
14.5 Potential material impacts on corporate governance	N/A	N/A
15 – Employees		
15.1 Number of employees and breakdown by main category	Profile / Key figures and 6.4.2	5 and 356
15.2 Shareholdings and stock options held by corporate officers	7.1.1.2, 7.4.1.1.2, 7.4.3 and 7.4.4	399, 444 and 451
15.3 Arrangements providing for employee involvement in the share capital	3.1.4 and 6.4.4.4	81 and 367

8.9.2 ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

To facilitate the reading of this Universal 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 Universal Registration Document	Page
1 – Consolidated financial statements	4.1	108
2 – Company financial statements	4.2	221
3 – Management report including the corporate governance report	see Cross-reference table below	
4 – Statement by the person responsible for the annual financial report	8.8	476
5 – Statutory Auditors' reports on the consolidated financial statements and the Company financial statements	4.1.7 and 4.2.6	217 and 258
6 – Disclosure regarding the Statutory Auditors' fees	3.6	100

8.9.3 BOARD OF DIRECTORS' MANAGEMENT REPORT CROSS REFERENCE TABLE

This Universal Registration Document includes all required disclosures in the Board of Directors' management report and particularly those set out in Articles L. 225-100 *et seq.*, L. 232-1 II and R.225-102 *et seq.* of the French Commercial Code, as well as those disclosures required in the corporate governance report (information referred to in Article L. 225-37 *et seq.* of the French Commercial Code and contained in the specific section of the management report on corporate governance). These disclosures are identified in the following cross reference table.

Terms of office of Statutory Auditors	Chapters/Sections of the Universal 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, 1.3, 1.5.2 and 3.1	15, 23, 42 and 78
Results of the Company's activity, subsidiaries, and controlled companies	3.2.2 and 4.1	83 and 108
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, 1.5.2 and 3.2.2	15, 25, 42 and 83
Key financial and non-financial performance indicators	Profile / Key figures, 3.2, 4.1 and 6	5, 82, 108 and 277
Description of the main risks and uncertainties	5 and 5.2	266 and 275
Financial risks relating to the impact of climate change and presentation of measures taken by the Company to mitigate these risks by implementing a low-carbon strategy in all aspects of its activity	5.2.2.1 and 6.2.3	284 and 320
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	5.2.2.3, 4.1.6 Note 8.3, 4.2.5 Note 7.3	292, 179 and 247
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	273
Branches	4.2.5 Note 7.11	254
Research and development activities	1.4	37
Foreseeable developments in the position of the Company/Group and future outlook	1.2 and 3.9	15 and 101
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	100
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	102, 117 and 331

Terms of office of Statutory Auditors	Chapters/Sections of the Universal Registration Document	Pages
Amount of expenses not deductible for tax purposes	4.2.7	261
Overall amount of sumptuary expenditure and the corresponding tax (Article 223 quarter of the French General Tax Code)	4.2.7	261
General expenses added-back to taxable income, by overall amount and expense category	4.2.7	261
Net income for the fiscal year and proposed appropriation of net income	4.2.3	227
Reminder of dividend distributions during the last three fiscal years	2.3.1	75
Table of results for the last five years	4.2.7	261
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	4.2.5 Note 7.11	254
Controlling interests in companies whose registered office is in France	3.1.2, 3.3.2, 4.1.6 Note 3.2 and 4.2.5 Note 7.11	79, 96, 122 and 246
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	73
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	73
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, 3.1.4 and 4.1.6 Note 6.2 and 9	65, 81, 150 and 195
5 – Employee share ownership on the last day of the fiscal year		
Employee share ownership in the Company on the last day of the fiscal year	2.2.1 and 6.4.4.4	73 and 367
Disclosure of the percentage of share capital represented by shares held by employees of the Company and employees of related companies	2.2.1 and 6.4.4.4	73 and 367
Information on transactions by management and closely-related persons in the Company securities	7.5.2	460
Grant to and retention by corporate officers of free shares and/or stock options granted	7.4.3.1	444
6 –Statement of non-financial performance	6.7	386
7 – Other information		
Anti-competitive practices	N/A	N/A
Information on supplier and customer payment periods	4.2.7	261
Vigilance plan and report	6.6	385
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.	5.1.6 and 5.2.2.2	274 and 289
8 – Statutory Auditors		
Terms of office of Statutory Auditors	8.6	475
9 – Corporate Governance		
List of offices and positions held in all companies by each corporate officer during the fiscal year	7.1.1.3	400
Composition and conditions of preparation and organization of Board of Directors' activities	7.1.1 and 7.2	398 and 412
Diversity policy for the Board of Directors, balanced representation of men/women on the committee, diversity results	6.4.5.3, 7.1.1.1 and 7.2.1.2,	371, 398 and 412
Chosen method of exercising Executive Management	7.3.1	428
Limits on the powers of Executive Management	7.3.2	428
Reference to a corporate governance code	7.2.1.1	412
Compensation policy of corporate officers	7.4.1, 7.4.2 and 7.4.3	430, 442 and 444
Compensation and benefits of all kinds paid during the fiscal year or awarded in respect of the fiscal year to each corporate officer	7.4.1.1, 7.4.1.2, 7.4.2.2, 7.4.3 and 7.4.4.1	430,439,444 and 451

Terms of office of Statutory Auditors	Chapitres/sections du Document d'enregistrement universel	Pages
Relative proportion of fixed and variable compensation	7.4.1.1.1, 7.4.1.1.2 and 7.4.3	430, 433 and 444
Utilisation of the possibility to request the repayment of variable compensation	N/A	N/A
Commitments of all nature given by the Company in favor of corporate officers, corresponding to items of compensation, indemnities or benefits payable or likely to be payable on the start, termination or change in duties or subsequent thereto	7.4.2	442
Compensation paid or awarded by a company included in the scope of consolidation within the meaning of Article L. 233-16 of the French Commercial Code	N/A	N/A
Ratio of the compensation of each executive corporate officer to the average and median compensation of Company employees / Annual trends in compensation, Company performance, average compensation of Company employees and the aforementioned ratios over the past five years / Explanation of how total compensation complies with the compensation policy adopted,including how it contributes to the long-term performance of the company and the way in which performance criteria were applied	7.4.1.1.2	433
Way in which the vote of the last Ordinary General Meeting provided for in Article L. 225-100 II of the French Commercial Code was taken into account (Article L. 225-37-3 I-9° of the French Commercial Code)	N/A	N/A
Difference compared with the compensation policy implemented and any derogation (Article L. 225-37-3 I-10°of the French Commercial Code)	N/A	N/A
Application of the provisions of Article L. 225-45, paragraph 2, of the French Commercial Code (Artilce L. 225-37-3 I-11° of the French Commercial Code)	N/A	N/A
Stocks options and free share grants	7.4.3.1, 7.4.3.2 and 7.4.3.3	444, 449 and 450
Factors likely to have an impact in the event of a public offer: • share capital structure of the Company:	2.2.1, 2.2.1 and 2.2.2	64, 73 and 74
• 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 Commercial Code,	8.1.10	469
• 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 Commercial Code,	2.2.1 and 2.2.2	73 and 74
• list of holders of any securities conferring special controlling rights and description thereof,	2.2.1 and 2.2.2	73 and 74
• control mechanisms provided in any employee share ownership systems, when control rights are not exercised by this system;	7.4.3	444
• 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	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, 8.1.8.3, and 8.1.12	398, 468, and 470
• powers of the Board of Directors, in particular regarding share issues and buybacks:	2.1.3 and 2.1.4	65 and 68
• 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	473
• agreements providing for compensation for members of the Board of Directors or employees in the event of resignation or dismissal.	7.4.2.3	444
Description of the assessment procedure for everyday agreements entered into at arm's length and implemented	7.2.1.8	422
Agreements entered into between a corporate officer or shareholder holding over 10% of voting rights and a controlled company as defined by Article L. 233.3 of the French Commercial code (excluding everyday agreements entered into at arm's length)	4.1.6 note 13	209
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	68
Specific procedures governing the attendance of shareholders at General Shareholders' Meetings	8.1.8.2	467
10 – Documents to be appended to the management report and/or to be communicated to shareholders		
The special report on performance shares granted in 2018 (see Article L. 225-197-4 of the French Commercial Code) comprising the following sections	7.4.3.1 and 7.4.3.2	444 and 449

8.10 Appendice

8.10.1 PROGRESS WITH THE COMMITMENTS GIVEN IN 2018 UNDER THE ACT4NATURE INITIATIVE IS PRESENTED IN THE APPENDICES (SEE SECTION 8.10.1 BELOW). THE MAIN ACHIEVEMENTS ARE DESCRIBED BELOW

Progress with the individual commitments given by Veolia under the Act4Nature initiative

Aspect 1: Better take into account biodiversity issues locally and contribute to the design of innovative solutions inspired by nature

I. Deploy the 2015-2018 NBS commitment and keep on implementing the biodiversity commitment beyond 2018.

Action	Progress	Comment
Redefine in 2019 when the Group renews its commitment to the Ministry for Ecological and Inclusive Transition's new National Biodiversity Strategy (NBS).	The Ministry for Ecological and Inclusive Transition (MEIT) reviewed and launched its new Act4Nature France initiative (formerly NBS) in December 2019.	Veolia will commit to the new MEIT system.

2. Continuously improve its knowledge of biodiversity issues.

Action	Progress
Refine the methodology to identify sites with biodiversity issues to include criteria on the major impacts and dependences of its processes and businesses.	The methodology enabling the identification of sites presenting the greatest biodiversity issues (sensitive sites) was reviewed and validated in 2019 with several stakeholders, including IUCN France

3. Continue and reinforce the deployment of preservation plans in the seven main countries with biodiversity issues (nine Business Units).

Action	Progress
Over the period 2019-2022, the Group will strengthen its assistance to these seven countries and the monitoring of their commitments implementation (deployment indicators, support, etc.).	As part of the implementation of a dashboard to monitor Veolia's Purpose and the overhaul of its Environmental Plan for the period 2020-2023, the Group modified this action to take account of objectives applicable from 2020 for the world scope.

4. Continue developing impact indicators with research bodies to measure the state of biodiversity

Action	Progress
Continuing the work undertaken by Veolia and the French Natural History Museum since 2016 on biodiversity and ecosystem health indicators.	In 2019, finalization of the methodology for bats and launch of the design of bird recognition software

5. Implement a biodiversity footprint assessment (or equivalent system)

Action	Progress
• Participate in the CDC Biodiversity B4B Club • Perform a review of footprint tools, existing or under development	Veolia participated in the work of CDC Biodiversity on the implementation of a biodiversity indicator (Global Biodiversity Score). Veolia is developing its own footprint tool adapted to its businesses (since 2019)

6. Preserve nature by fostering the circular economy

Action	Progress
• Achieve revenue of €3.8 billion from the circular economy by 2020. • Multiply by five its current revenue from plastic recycling by the year 2025 (€1 billion).	This action is in progress in line with the commitment given. See Section 6.2.2.3.1, Circular economy

8

Aspect 2: Raise awareness, involve more people both internally and externally and promote initiatives put in place in collaboration with local players

7. Raise awareness of biodiversity among employees

Action	Progress
Propose a tool to raise awareness, developed by one of Veolia's activities, to all Business Units.	This action was completed in 2018. A training / awareness raising program is currently being deployed across the Group scope.

8. Better promote biodiversity internally and externally as a component of our activities

Action	Progress
Reinforce communication to better highlight our initiatives and help promote the issue more widely by working with our partners (IUCN, Orée, CDC Biodiversité, AFB, etc.) on their projects and publications.	Action scheduled for 2020.

9. Promote and foster biodiversity projects internally and with our customers

Action	Progress
Conduct case studies illustrating good practices implemented by Business Units from 2019, to offer them internally and to our customers.	A portfolio of biodiversity offers was developed.

10. Support initiatives and establish local partnerships

Action	Progress
Reinforce the establishment of partnerships with associations for the protection of the environment, in particular at the sites of its nine BUs with significant biodiversity issues, and at other priority sites.	The Group continues to encourage its Business Units to forge partnerships with national and/or local associations, notably following the conduct of biodiversity diagnoses at sites with significant biodiversity issues.

Aspect 3: Deploy ecological management actions at our sites and for our customers

11. Encourage customers to put in place green infrastructures

Action	Progress
The Group will suggest that cities where it operates put in place green infrastructure according to their issues and priorities (green discharge zones, vegetalization to reduce heat islands, etc.).	This action was finally not implemented.

12. Assist sites, subcontractors and customers put in place ecological tools

Action	Progress
Deploy various tools including the ecological management calculator «EcoLogiCal», a guide to ecological management and a green spaces maintenance charter. The Group will more widely deploy the use of these tools at the sites it operates by 2021.	The implementation of certain tools is mandatory under the new 2020-2023 Environmental Plan (green spaces charter).

13. Organize feedback on the impact of installations and offset strategies

Action	Progress
From 2019, Veolia will assess, group wide, the impact of its installations on biodiversity, in particular for projects with an offset requirement (or similar).	An information escalation system was implemented as part of the annual environmental reporting process (2019 reporting campaign).

2020 FINANCIAL REPORTING SCHEDULE

February 28
2019 Annual Result and presentation of the 2020-2023 Strategic Program

April 22
General Shareholders' Meeting

May 6
Key figures for the period ending March 31, 2020

July 30
2020 First Half Results

November 5
Key figures for the period ending September 30, 2020

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Resourcing the world

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