2018
Registration document
Annual financial report

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VEOLIA ENVIRONNEMENT

REGISTRATION DOCUMENT

Annual financial report

2018

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

The Registration Document (*Document de référence*) was filed with the Autorité des Marchés Financiers (AMF, the French Financial Markets Authority) on March 13, 2019, in accordance with Article L. 212.13 of the AMF's general regulations. This Registration Document may be used in connection with a financial transaction if it is supplemented by a prospectus (*note d'opération*) officially approved by the AMF. The Registration Document has been prepared by the issuer and its signatories are responsible for its content.

Message from **Antoine Frérot**

Chairman and
Chief Executive Officer

Resources have become a central issue for Veolia's clients, as they are threatened from all sides by both scarcity and pollution. This dual threat comes from two excesses: excess withdrawals from nature, provoking scarcity and excess discharges into the environment, generating pollution. Our Group has therefore adopted a strong position on resources, magnified by the transversal role played by resources across our businesses.

This choice is highly relevant, as demonstrated once again in 2018, as in previous years. Veolia was awarded numerous contracts in 2018, both at the new frontiers of environmental businesses and in its traditional markets, in emerging and developed countries and with industrial companies and municipal authorities. And key to our company's future, over half the revenue generated by these commercial wins comes from our new businesses: the circular economy, systematically transforming waste to resources; energy efficiency, a major lever for the success of energy transition and the dawn of a low-carbon economy; hazardous waste processing, including low-level radioactive waste; the management of end-of-life industrial equipment, a highly promising and already very active market, etc.

We consolidated our growth in 2018, but also our operating and financial performance - in line with our commitments - and our innovations. In particular, we opened the first French solar panel recycling plant and developed a new generation of robots to improve waste sorting, equipped with artificial intelligence.

AS A GLOBAL LEADER, IT IS OUR DUTY TO ASSUME THE RISKS OF DEVELOPING NEW IDEAS AND CONTRIBUTE TO INVENTING THE KNOW-HOW NECESSARY FOR THE 21ST CENTURY.

Short-term, mid-term, long-term: our businesses are progressively rolled out in this way, to build additional growth divers and organize a harmonious transition between emerging businesses and those that are already mature. Over the years, our Company creates further connections between its businesses, to propose new high added-value services and accentuate its leadership. One of the most symbolic examples of these innovations aimed at renewing our businesses in the long-term, concerns food production. This sector at the intersection of our three centers of excellence - water, waste and energy - represents a challenge that will only become increasingly acute. By combining its expertise, Veolia capitalizes on its initial, unrivaled position at the crossroads of businesses essential to the future of cities and industries.

Veolia emerges from 2018, the third year of its 2016-2019 development plan, stronger, more dynamic and more attractive. In 2019, our Group will continue the rigorous and pragmatic breakdown of its strategy, focused on a dual momentum of growth and efficiency. This growth momentum seeks to amplify our organic development with carefully targeted acquisitions. Through these internal and external growth transactions, we will steadily expand our geographic and sector platforms, while filling-in the links still missing in our value chain. Our efficiency momentum is founded on our operating performance improvement and cost saving programs that enable us to fund Veolia's expansion, improve profit levels and strengthen our attractiveness. This attractiveness relies not only on the technical and financial quality of our offerings, but also on our clients' confidence in our Company, which has placed strict adherence to ethical and compliance rules at the top of its requirements.

What sets apart a Group like ours and fundamentally directs its strategy is, of course, what it does and aspires to do, but above all, how it sees the world. We see alternative water resources, where others see only wastewater; we see raw materials, where others see only waste; we see a source of clean energy, where other see only heat loss from plants and buildings. In short, we see solutions, where others see only problems; we see value, where others see only costs! In the end, it is this different view of the world which opens up untraveled roads, making possible what appeared impossible only yesterday.

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.

3,603 drinking water production plants managed

2,667 wastewater treatment plants managed

95 million people supplied with drinking water

63 million 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.

43 million people provided with collection services on behalf of municipalities

560,505 business clients

49 million metric tons of treated waste

655 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.

46 million MWh produced

615 heating and cooling networks managed

42,053 thermal installations managed

2,389 industrial sites managed

SOME CSR INDICATORS

15.1 million metric tons of CO_2 equivalent of reduced emissions	**6.6** million metric tons of CO_2 equivalent of avoided emissions
77.0 % of employees received training	**85.7** % of purchasing reinvested locally

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

Members of the Board of Directors as of March 5, 2019

15 Directors

6 Women

2 Directors representing employees

4 Non-French Directors

61 Average age

9 Independent Directors(1)

Antoine Frérot
Chairman and Chief Executive Officer

Louis Schweitzer
Vice-Chairman
*

Maryse Aulagnon
Senior Independent Director
*

Homaira Akbari

Jacques Aschenbroich
*

Caisse des dépôts et consignations, represented by Olivier Mareuse

Isabelle Courville

Clara Gaymard

Marion Guillou

Franck Le Roux
Director representing employees

Pavel Páša
Director representing employees

Baudouin Prot

Nathalie Rachou
*

Paolo Scaroni

Guillaume Texier

Serge Michel
Non-voting member (censeur)

Board Committees:
Accounts and Audit — Nominations — € Compensation — Research, Innovation and Sustainable Development — * Chairman

Members of the Executive Committee (2)

Front row, left to right:
- Laurent Auguste,
- Estelle Brachlianoff,
- Antoine Frérot,
- Claude Laruelle,
- Philippe Guitard.

Back row:
- Jean-François Nogrette,
- Patrick Labat,
- Jean-Marie Lambert,
- Régis Calmels,
- Eric Haza,
- Helman le Pas de Sécheval.

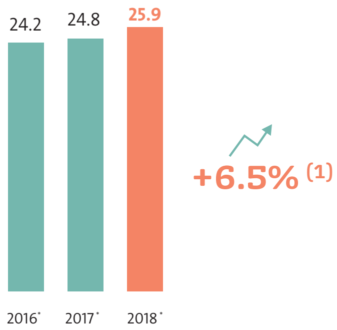
(1) Excluding Directors representing employees in accordance with the AFEP-MEDEF code.

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

KEY FIGURES

25,911
Revenue (in € million)

Revenue trends (in € billion)



Breakdown of the Group's client base

47% Industrial

53% Municipal

Revenue by business

Water **42%**

Waste **37%**

Energy **21%**

Revenue by segment

18% Global businesses

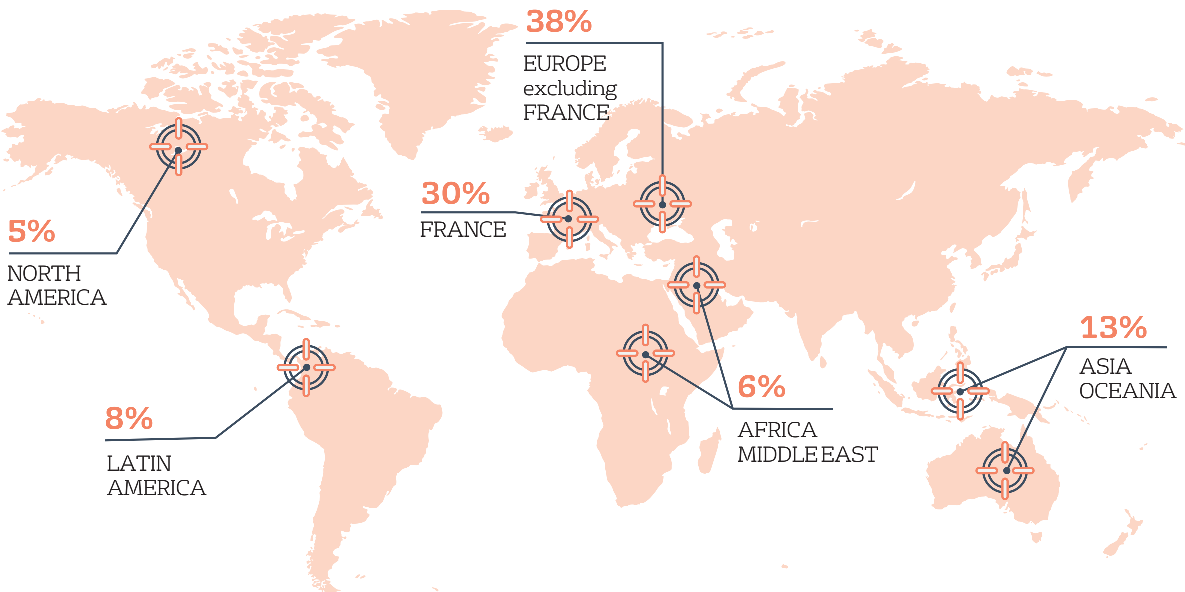
21% France

35% Europe, excluding France

26% Rest of the world

Worldwide employee breakdown

171,495 employees



(1) At constant exchange rates.

* *Reclassification of Lithuania in discontinued operations (IFRS 5) from 2016 and of Gabon in 2017 and 2018.*

Financial information

+7.3% (1)

3,392 (5)

EBITDA (in € billion)(2)(3)

+9.7% (1)

1,604 (5)

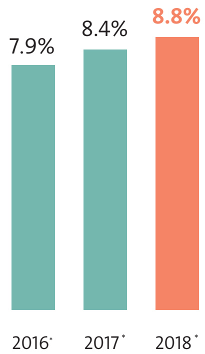
Current EBIT (in € billion)(2)(3)

+13.3% (1)

675

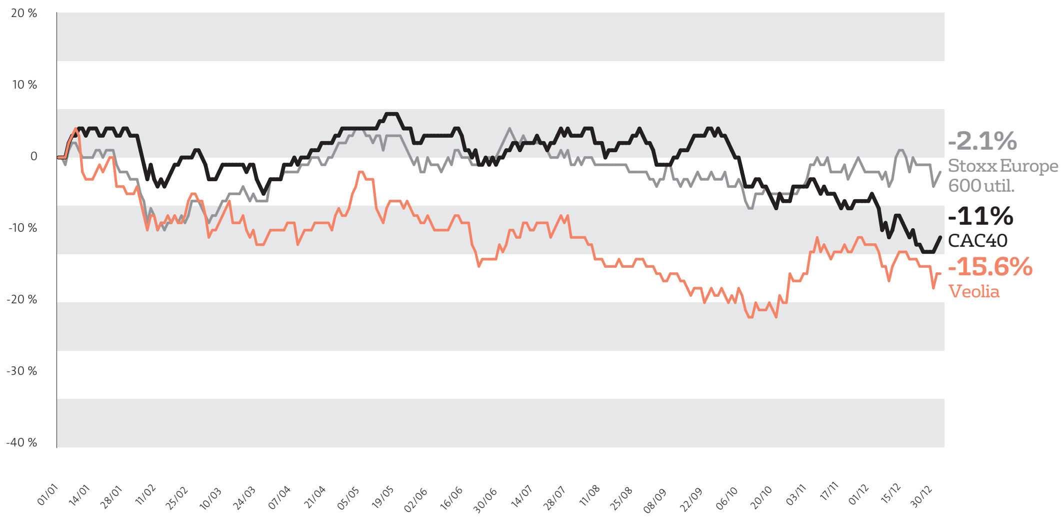
Current net income attributable to owners of the Company (in € million) (2)

Post-tax ROCE (2)(3)



Dividend per share (€)

2018 Stock market performance



(1) At constant exchange rates

(2) see Chapter 3, Section 3.10.3, Definitions, of the 2018 Registration Document.

(3) Including IFRIC 12, Impacts.

(4) Presented for approval to the General Shareholders' Meeting of April 18, 2019.

(5) in € million.

* *Reclassification of Lithuania in discontinued operations (IFRS 5) from 2016 and of Gabon in 2017 and 2018.*

Selected financial information AFR

Figures presented in accordance with IFRS

(in € million)	12/31/2017[1]	12/31/2018 [1]
Revenue	24,818.4	25,911.1
EBITDA	3,217.1	3,392.0
Current EBIT	1,497.3	1,604.0
Current net income - Group share	613.6	674.9
Operating cash flow before changes in working capital	2,615.2	2,670.1
Operating income after share of net income (loss) of equity-accounted entities[2]	1,262.6	1,419.6
Net income - Group share	397.7	439.3
Dividends paid[3]	439.7	462.6
Dividend per share paid during the fiscal year (in euros)	0.84	0.92 [4]
Total assets	38,278.7	37,592.8
Net financial debt[5]	7,833	9,749
Industrial investments (including new operating financial assets)[6]	(1,738)	(1,811)
Net free cash flow[7]	619	568

(1) 2017 and 2018 adjustments concern the reclassification of Lithuania and Gabon in discontinued operations in accordance with IFRS 5.
(2) Operating income after share of net income of equity-accounted entities does not include capital gains or losses on financial divestitures, booked in other financial income and expenses.
(3) Dividends paid by the parent company.
(4) Subject to the approval at the General Shareholders' Meeting of April 18, 2019.
(5) Net financial debt represents gross financial debt (non-current borrowings, current borrowings, bank overdrafts and other cash position items), net of cash and cash equivalents, liquid assets and financing-related assets, including fair value adjustments to derivatives hedging debt. Liquid assets are financial assets comprised of funds or securities with an initial maturity of more than three months, easily convertible into cash, and managed with respect to a liquidity objective while maintaining a low capital risk.
(6) Gross industrial investments (excluding discontinued operations).
(7) Net free cash flow corresponds to free cash flow from continuing operations, and is equal to the sum of EBITDA, dividends received, changes in operating working capital and operating cash flow from financing activities, less the net interest expense, net industrial investments, taxes paid, renewal expenses, restructuring costs and other non-current expenses.

1

ABOUT THE GROUP

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1.1 History and general introduction

1.1.1 HISTORY AND DEVELOPMENT

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

1980 Compagnie Générale des Eaux took control of:

- Compagnie Générale d'Entreprises Automobiles (CGEA) (which would become CONNEX and ONYX, and later Veolia Transport and Veolia Propreté);
- 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 Euronext Paris primary market.

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 Between 2002 and 2004, Vivendi Universal gradually decreased its stake in Veolia Environnement and held only 5.3% of the share capital by December 2004. At the same time, Veolia Environnement carried out a major restructuring to refocus on its core environmental services activities. This process ended with the sale of the US subsidiaries in the Water business line and of its indirect interest in the Spanish company Fomento de Construcciones y Contratas (FCC).

2003 Vivendi Environnement became Veolia Environnement(1).

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

2006 On July 6, 2006, Vivendi Universal no longer held any shares in Veolia Environnement.

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

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

2013 The Group embarked upon a significant organizational change, which was implemented and fully rolled out in early 2014. Since then, the Group's activities have been organized by geographic zone rather than by business line and division. 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 American Depositary Receipts (ADRs) have not been listed on the New York Stock Exchange (NYSE) since December 23, 2014. The ADR securities are now traded on the US over-the-counter market. Veolia Environnement's obligations to report to the US Securities and Exchange Commission (SEC) ended at the same time.

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

The COP 21 held in Paris between November 30 and December 11, 2015, offered Veolia an opportunity to reaffirm 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.

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

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

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.

2018 2019 On October 2, 2018, Veolia Environnement announced the sale of its residual stake in Transdev to the Rethmann Group. The sale was closed on January 9, 2019.

1.1.2 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 2018, the Group operated in 54[1] countries , generated revenue of €25,911 million and employed 171,495 people.

In 2018, Veolia's organization is divided into 10 geographic zones (Water France, Waste Solutions in France, Central and Eastern Europe, Northern Europe, the United Kingdom and Ireland, Africa/Middle East, North America, Latin America, Asia and Australia/New Zealand) and an additional worldwide zone for Global Enterprises (Veolia Water Technologies, SADE, etc.). In the geographic zones, the organization is structured by country (Business Unit), with the Directors for each country responsible for the Water, Waste and Energy business lines within their scope.

Veolia Environnement is included in Euronext Paris CAC 40 index.

1.2 Strategy AFR

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

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

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

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

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

In 2018, the successful implementation of this plan led to increases in revenue and EBITDA compared to 2017, and cost savings of around €300 million.

Based on these results, the Group can confirm its outlook for 2019, *i.e.*:

- continuation of revenue growth;
- cost savings of at least €220 million;
- EBITDA between €3.5 billion and €3.6 billion[2];
- dividend growth in line with that of current net income.

Veolia is also preparing a new strategic plan for 2020-2023.

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

(2) At constant exchange rates (based on end 2018) and excluding IFRS 16 impact.

1.2.1 TARGETED GROWTH IN PRIORITY MARKETS AFR

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

These services are intended for:

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

Environmental services are a growing market, driven by:

- population growth and increasing urbanization (70% of the world population will live in cities by 2050)[1];
- still-significant requirements worldwide regarding access to drinking water and 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 functions of recycling and the collaborative economy; and wanting greater transparency in service governance.

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

1.2.1.1 Municipal market

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

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

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

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

Veolia deploys solutions meeting the various needs of cities:

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

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

- **attractive cities to live:** improving quality of life to attract people and companies.

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

- **smart cities:** digital solutions are revolutionizing cities.

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

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

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

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

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

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

Veolia implements operating solutions and new business models to promote the development of the circular economy at a regional level. This approach is at the heart of its strategic ambition and vision "Resourcing the world". Renewing resources is, for example, recycling materials (plastic, paper, glass, precious metals), developing renewable energies and recovering (biomass, biogas, 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 client needs are now turning towards:

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

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

Veolia's strategy is to establish its role as a catalyst for the attractiveness of cities, their economic and social development, in particular by 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 client**, whether that is based on financial or environmental performance (resource or energy savings, improved performance of facilities, etc.), on the creation of new revenues (mutualization of facilities, resale of electricity to the grid for cogeneration, recovery of byproducts, etc.) or on risk reduction (partnerships with insurers). A 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:** clients are offered the benefit of Veolia's expertise in targeted services (automatic meter reading, organization of service calls, help with billing recovery, operating data analysis and consultancy, etc.) traditionally incorporated into comprehensive contracts.

Cities in emerging countries

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

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

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

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

1.2.1.2 Industrial market

For Veolia, the industrial market 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.

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

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

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

- **licence 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 clients assets** (*e.g.* increasing equipment availability, maximizing the productivity of client assets);
- **financial engineering** (*e.g.* investment planning and joint financing, financial arrangements, search for external financing);
- **brand image and social and environmental responsibility** (*e.g.* optimized management of water, energy and waste resources, design, build and operation of carbon neutral plants, joint development of projects with the different stakeholders).

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

- a combination of technical expertise and operating skills, supported by an extensive technology portfolio and contractor know-how;
- the ability to guarantee long-term results;
- a global network serving global 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 has decided to focus its strategy for expanding in the industrial market on six growth markets or areas, where the needs of clients and the environmental challenges involved are of particular importance and where the Group is capable of offering differentiated solutions:

- **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 licence to operate, on maximization of customer asset availability and output, on reduction of costs and risk, on resource and water efficiency, and on regulatory compliance. Veolia offers solutions that respond to this industry's water, waste processing and performance needs by positioning itself as a long-term partner able to address all environmental and efficiency issues and proposing a range of offerings adapted to the needs of both market segments:

  - **for the upstream market (exploration/production):** the construction and operation of facilities for treating injection water and produced water, mobile water treatment solutions, management of waste, including hazardous waste, industrial services, and the decommissioning of oil rigs,
  - **for the downstream market (refining, petrochemicals, chemicals):** the treatment of process water, wastewater and cooling water, industrial services (surface treatments, robotic tank cleaning), treatment of hazardous waste, energy optimization of facilities, recovery of byproducts and hazardous waste (solvents, oily sludge, KOH, 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 management, etc.,
  - **optimization of operational performance** thanks to a range of services for utility efficiency and waste recovery,
  - soil **remediation**, site recovery,
  - **financial engineering.**

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

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

  The food and beverage industry, which is the world's largest industrial sector, needs to respond to population growth, especially in high water stress regions, and the increasingly stringent 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 clients and a source of high expectations due to the pressure on resources, increasingly favorable regulation (in Europe, with the end of landfill and the enforcement of extended producer responsibility; in the United States, where there is a noticeable increase in uptake of new value creation models; and in China, a country that is moving its regulation towards fostering a sustainable economy), and the movement of society towards a circular, sharing and functional economy. Veolia has set itself the aim of strengthening its leadership in this area by deploying existing technologies, innovating and positioning itself as a stakeholder that creates shared value.

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

  Veolia helps its customers to create value by:

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

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

- **difficult pollution**

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

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

  The tightening of local regulations and the increase in the volumes of waste being produced (particularly that from the chemical, oil, metallurgy and nuclear industries and electrical and electronic equipment waste) both support Veolia's decision to further develop its positioning in 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 are easily mobilized, a full range of technologies and services for processing difficult-to-treat effluents (Veolia Water Technologies) and hazardous waste, and for soil remediation (GRS-Valtech). They meet the highest standards and are supported by cutting-edge research.

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

1.2.2 BUSINESS MODEL

Veolia is very much aware that natural resources are becoming increasingly scarce at a time when needs are growing in an increasingly populous, urbanized world that is confronted with climate change. Against this backdrop, Veolia has set itself the mission of "Resourcing the world." The Group designs and deploys water, waste and energy solutions that contribute to the sustainable development of cities and industries. Through its three complementary business lines, Veolia is switching its focus from a resource-consumption regime to a use-and-recover approach in today's circular economy. In so doing, it is helping improve access to resources while at the same time protecting and renewing them.

A business model creating value for all

STRENGTHS

Global expertise, local know-how

- Nearly **8,000 sites** worldwide
- Detailed knowledge of local stakeholders, through a strong cultural and regional foothold

Market base combined with financial strength

- Balanced portfolio between municipal **(53%)** and industrial business **(47%)**
- Present notably in dynamic markets (Asia, North America, Latin America)
- Financial strength: net debt/EBITDA ratio of **2.87**

Committed and competent men and women

- **171,495 employees**
- A campus network including **14 training centers** worldwide, located in 9 countries
- **1,600 contributions** collected by the "Inspire" collective strategy review

Constant innovation serving sustainable development

- **25 centers of excellence** for open and widespread innovation; 2,000 patents in the water sector
- Internal innovation program, Open innovation, in partnership with innovative start-ups and SMEs
- Inclusion in DJSI* World and Europe indices, CDP Climate A- score, Ecovadis Gold status, Global Compact Advanced level, attesting to a recognized sustainable development strategy

Expert governance

- Diverse expertise on the Board of Directors
- Multi-criteria compensation system (including CSR criteria) for the Executive Committee, with annual and long-term components

(1) See Section 1.3.1 below.

(2) See Section 1.2.1 above.

(3) See Chapter 6, Section 6.1.2 below

* Dow Jones Sustainability Index

BUSINESS MODEL

Changing cities and companies

- Climate change and ecological transition
- Demographic growth and urbanization
- Technological advances / Digitalization
- Stricter environmental regulations
- Changing lifestyles

OUR MISSION

RESOURCING THE WORLD

Improving access to resources + Preserving resources + Replenishing resources

BUSINESSES(1)

Water management + Waste management + Energy management

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

TARGET GROWTH IN PRIORITY MARKETS(2)

Municipal clients

For cities that are:
- circular
- resilient
- attractive places to live
- smart
- inclusive

Industrial clients

6 growth markets or areas:
- chemicals, oil & gas
- mining, metals, energy
- food & beverages, pharmacy /cosmetics
- circular economy
- difficult-to-treat pollution
- end-of-life management of industrial facilities and equipment.

VALUE CREATED

BENEFITS FOR MANKIND AND THE PLANET

Revenue of
€25,911 million, up 6.5%
(at constant exchange rate)

EBITDA of
€3,392 million

Post-tax **ROCE** : 8.8%
WACC: 5.5%

Employees

- **77%** received training to maintain or improve their skills
- **1.90%** of share capital held by employees
- **86%** manager commitment rate (per 2017 manager commitment survey)

Municipal and industrial clients

- **67.6%** material recovery rate for treated waste
- **75.4%** efficiency rate for drinking water networks
- **87%** efficiency rate for heating networks

Investors

- Dividend of **€0.92** per share
- TSR:
  5 years: **+86.74%**
- Current net income earnings per share as of December 31, 2018: **€1.22**

Suppliers

- **€13.1 bn** of purchases
- CSR support: **63%** of active contracts in the supplier base include the Group's CSR clause

Regions

- **85.7%** of expenditure reinvested in the regions
- **165,000 jobs** supported in 2017 in France (direct, indirect and induced jobs)

Final customers

People served:

- **95** million people supplied with drinking water
- **9.6** million people connected to water systems and **4.4** million people connected to wastewater systems in countries with poor access since 2000
- **71%** of users have progressive pricing contracts
- **99.7%** of drinking water quality is compliant
- **63** million people connected to wastewater systems
- **43** million people provided with waste collection services

Planet

- Revenue of **€4.8 bn** generated in the circular economy
- **63 million metric tons of CO_2** equivalent of reduced emissions at our installations since 2015
- **24 million metric tons of CO_2** equivalent of avoided client emissions since 2015
- **60%** of sites with significant biodiversity challenges performed 1 assessment and deployed a biodiversity action plan

United Nation's Sustainable Development Goals (SDGs)

- Participation of Veolia's businesses[3] in implementing each of the 17 SDGs, with a direct or indirect impact on 65 of 169 targets
- Veolia revenue contribution for 5 core business SDGs[3]:

  SDG 6: Clean water and sanitation

  SDG 7: Affordable and clean energy

  SDG 9: Industry, innovation and infrastructure

  SDG 11: Sustainable cities and communities

  SDG 12: Responsible consumption and production

1.2.3 EFFICIENCY PROGRAM

Veolia launched a new efficiency plan for the 2016-2019 period, which uses a similar method to the previous one, namely, developing improvement plans for each country and monitoring these centrally. The initial objective was increased from €600 million to €800 million in gross additional savings[1] for the 2016-2018 period as well as expected savings in 2019 of around €220 million. This plan covers three key areas for improvement, relating to:

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

The "operations" and "purchasing" components will account for a higher proportion of total savings realized by the end of the 2016-2019 plan compared to the previous plan.

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

1.2.4 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 1.2 below);
- an economic outlook compatible with a carbon neutral world.

Limiting global warming to below 2°C requires an extensive change in growth models. 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 clients' 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 clients, as well as in its value chain according to its influence capacity (see Chapter 6, Section 6.2.3 below).

However, the scenarios, based on Intended Nationally Determined Contributions, indicate that temperatures will rise from 3.7°C to 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**. 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 below) to identify sustainable solutions and develops innovative contractual offers and models to support its partners in reducing emissions such as optimizing the thermal management of tertiary buildings, or adapting to climate change through flood prevention solutions (see Section 1.2.1 Targeted growth in priority markets above). Aware of the physical risks of climate change and resilience funding issues, Veolia is focusing on the emergence of new facility funding mechanisms contributing to regional adaptation.

(1) *Before implementation costs.*

1

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	In 2018	Group revenue
WATER	95 million people supplied with drinking water 63 million people connected to wastewater systems 3,603 drinking water production plants managed 2,667 wastewater treatment plants managed	€10,894.1 million 42%
WASTE	43 million people provided with collection services on behalf of public authorities 49 million metric tons of treated waste 655 waste processing facilities operated 560,505 business clients	€9,598.5 million 37%
ENERGY	46 million MWh produced 42,053 thermal installations managed 615 heating and cooling networks managed more than 2,389 industrial sites managed	€5,418.4 million 21%

1.3.1.1 Water

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

Sustainable management of water resources

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

The Group is committed on a daily basis to optimizing how the water cycle is managed, as well as to saving this increasingly scarce resource, guaranteeing its quality and ensuring that it is replenished. It helps its clients develop holistic, integrated policies for managing water resources that emphasize the need to preserve ecosystems and biodiversity. Around the world, Veolia is providing solutions such as 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, designing and building treatment plants;
- producing drinking and industrial process water;
- decontaminating wastewater;
- recycling wastewater and industrial effluents;
- operating, maintaining and optimizing treatment plants;
- producing "green" energy from wastewater and sludge (*e.g.* through anaerobic digestion, cogeneration and micro turbines).

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

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 and builds drinking water production and wastewater treatment plants around the world for a range of industrial and municipal customers. Through its subsidiaries, VWT also offers water treatment equipment and technology, as well as mobile operational response solutions.

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

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), as well as 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). It also handles dispersed hazardous waste, which must be separated during collection, either in individual containers or mixed with other recyclable materials.

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

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

Recovering materials from waste

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

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

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

Recovery of organic waste

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

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

Waste-to-energy recovery

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

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

Decommissioning and decontamination

Veolia manages decommissioning projects for industrial facilities and end-of-life equipment, such as aircraft, ships, trains and oil platforms. The Group provides dismantling, asbestos removal, material recovery, final waste treatment and site remediation services. Veolia also participates in the rehabilitation of areas where the soil was previously contaminated.

Its subsidiary, SARP Industries, rehabilitates brownfield sites, cleans up accidental spills and brings active industrial sites into line with applicable environmental regulation.

Processing of hazardous 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 electricity 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, and enjoys a strong position as an operator in the United States. The operation and maintenance of heating and cooling networks enables the supply of heating, hot water and air conditioning to public and private facilities, including schools, health centers, office buildings and apartment blocks.

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

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

Local supply loops

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

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

Energy services for buildings

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

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

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

Industrial utilities

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

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

Veolia offers its 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 sector clients adopting increasingly multi-site and/or multi-country approaches.

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

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

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

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

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

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

Multi-business contracts

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.

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

1.3.1.5 Other businesses

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

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

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

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

1.3.2 FACTORS THAT COULD INFLUENCE THE GROUP'S BUSINESS LINES

The Group's main business lines could be influenced by the key factors set out in Chapter 5, Section 5.2, 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 clients or regulators;
- continued technological leadership (for designing and building installations);
- a full grasp of the constraints and technical solutions in relation to contract performance;
- thoroughness in negotiation and performance (particularly as regards the ability to respect deadlines and the costs budgeted for designing and building installations).

WASTE

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

ENERGY

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

Factors common to the three business lines:

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

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

Water and Energy business lines are subject to seasonal changes and weather uncertainty (see Chapter 5, Section 5.2.1.3, 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 5.2.1.3.1, below).

Energy and raw material prices fluctuate, often significantly. For example, in 2018, the average price of a barrel of North Sea Brent crude was US$71, *i.e.* above the 2017 average (+32%). Prices broadly increased during the first three quarters of 2018 before falling sharply in the third quarter to finish the year at US$51, that is a drop of -24% on the end of December 2017. The increase in the average price of a barrel of Brent crude, in euro, is slightly lower at +26% for the year.

Major variations in gas prices from one year to the next are due to the weather and the competitiveness of coal. Average gas prices for the main European interconnection points increased by around +32% in 2018 compared with 2017. Prices increased during the first three quarters of 2018 before falling in the fourth quarter, to finish the year approximately +9% above the level at the end of December 2017.

The average fuel price also increased between 2017 and 2018, with a negative impact on fuel expenses in the Waste business of around -€21 million in 2018.

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 cannot be ruled out, as was the case last year, when an upward trend over the first three quarters was offset by a price slump in the final quarter. At any rate, as in recent years, energy prices are expected to remain volatile in 2019.

A significant portion of the revenue of the Waste business line is generated by its sorting/recycling and trading businesses, which are particularly sensitive to fluctuations in the price of recycled materials (paper, cardboard, ferrous scrap and non-ferrous metals). In 2018, annual averages for two representative price benchmarks (Copacel 1.05 for recycled paper and E40 for ferrous scrap) reported a -39% drop for recycled paper and a slight +5% increase for ferrous scrap, compared with 2017 averages. Waste revenue was therefore negatively impacted by -€100 million in 2018, mainly due to the sharp fall in the price of paper.

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, customer type (public vs. private), requirements (in terms of financing and performance) and size.

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

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 client base;
- **transfer or delegate**, to a private, part-public or public company, responsibility for operating all or part of the service, allocating the human, material and financial resources and, where applicable, designing, building and financing the facilities needed to operate the service.

In certain cases, service users may directly form the 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, of hazardous waste recovery, of greenhouse gas emission reductions through projects with a significant environmental component (biomass or solar facilities), of purification of the water used in the customer's industrial process, and of the treatment or reuse of industrial wastewater by zero wastewater discharge projects.

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

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 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:

1.3.4.1 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 customers.

1.3.4.2 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 (Areva, Onet, Bouygues, Vinci, Westinghouse, Amec, Nukem, Iberdrola, Ansaldo and 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 clients long-term reliability and performance, thanks to its combined engineering/construction and operational capabilities.

1.3.4.3 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.

1.3.4.4 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 services with high added value to its' municipal, industrial and service sectors clients. Veolia 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 clients with long-term support.

In 2018, the total budget for Research and Innovation was approximately €54.2 million.

1.4.1 RESEARCH AND INNOVATION SUPPORTING THE GROUP'S DEVELOPMENT

Research and Innovation (R&I) is coordinated by Veolia Recherche et Innovation (VERI), which reports to the Technical and Performance Department.

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.

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

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 the 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.**

This structure 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

Launched in 2010, **Veolia's Open Innovation approach seeks to accelerate and amplify the Group's innovation capability by integrating innovations complementary to its businesses**. It makes use of all open innovation practices.

Since 2017, the Open Innovation and Innovation Services Department supports the innovation and Open Innovation approaches of all Veolia entities. Open Innovation is now proposed as a service to all Veolia's entities seeking innovative and emerging solutions. **Open Innovation projects are initiated based on identified opportunities.** They include: sourcing of innovative solutions primarily in the start-up eco-system; analysis, selection and testing of solutions based on technical and commercial criteria; support with the negotiation of agreements with start-ups.

In December 2018, Veolia hosted the European Commission's European Innovation Council and innovative European start-ups and SMEs. During pitch and networking sessions, entrepreneurs presented their solutions for transforming companies.

A global internal innovation network

This network seeks to develop relations and foster the exchange of information between all Veolia's innovation players, so that R&I requirements from the field can be taken into account and the go-to-market of our technical developments accelerated. The network supports and encourages 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, 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 2018

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

"Water taste and odor" workshops

In conjunction with the communication campaign launched by Water France, journalists participated in drinking water initiation and tasting workshops led by R&I experts. These workshops highlighted the subjectivity of opinions regarding water taste and odor. Advanced Twister™ and ARISTOT™ (Advanced & Relevant Investigation Sampler for Taste & Odor at Tap) technologies enabling the capture, isolation and identification of the components responsible for tap water taste were presented. For 17 years, Veolia has been experimenting and using innovative technologies for the chemical analysis of water, in order to better understand the source of taste and odors and propose solutions to improve consumer comfort.

Smart fertigation and reuse of treated wastewater

Fertigation applies a circular economy approach to agriculture, by recovering both water and the nutrients present in water. The Smart Ferti Reuse project aims to develop a comprehensive service to support agriculture and local authorities with the optimized and reasoned management of processed urban wastewater and fertilizers. This project is carried by Sede Environnement and Veolia in Germany. It is conducted in partnership with Irstea, INRA, Polymem, Bio-UV, CACG, Ecofilae, Veolia Eau-Compagnie Générale des Eaux and VERI in France (FUI project, certified *France Expérimentation*) and with AVB and SEBS in Germany.

Regeneration of spent acid by nanofiltration

Veolia proposed an innovative recycling and recovery solution to an industrial client for spent acid generated by the production of titanium dioxide (TiO_2). This solution helps reduce the environmental footprint of the client. It is based on the recovery and recycling of spent sulfuric acid for its reuse in the TiO_2 production process, as well as on the increasing of the percentage of recycled gypsum produced on site and finally, on the manufacture of sodium or potassium bicarbonate from CO_2 generated by neutralizing acid effluent.

Network assets management

The research projects AdvISe and RELIABLE SEWER seek to develop Veolia software tools for the management of drinking water, wastewater and urban heating networks assets. The four software systems currently available - MOSARE, VISION, D-SHARP and OctaVe - help operators schedule work according to three time periods (current year, 1 to 5 years, or 10 to 30 years). By introducing artificial intelligence solutions, current developments under the AdvISe project enable events/ defaults to be automatically identified during a televised inspection. RELIABLE SEWER developments propose a strategy for investment and operations priorities over the contract period according to local constraints.

1.4.3.2 Waste

Closing of the project on Advanced Processes for Carbon Fiber Composites

This project, coordinated by IRT Jules Verne in partnership with ICAM Nantes, Airbus, Omega Systèmes, SACMO and the University of Nantes, was closed in February 2018 after 3.5 years of work. It concerned two treatment processes for carbon fiber composites (CFC): solvolysis and pyrolysis. Through this project Veolia developed expertise in: validating the pyrolysis treatment process; composite and carbon fiber characterization protocols; the characteristics of composite deposits; validating the quality of fibers after pyrolysis processing; characterizing processing by-products. A complementary project is currently ongoing to develop a CFC recovery channel after processing.

Sorting center 4.0: an innovative waste composition detection system

R&I has developed, and tested at the Cergy sorting center, a system that records images of waste flow using a color matrix camera and performs an initial analysis of its composition using automatic recognition algorithms. Ultimately, this innovative solution could be deployed at different points in the sorting chain and for different flow types, in order to record images under real conditions and store them in a centralized database. The aim is to measure the quality of sorted material and assess and characterize it.

Recovery of methanization digestates: model to assist the preliminary design of facilities

The results of the Recycled NPK Fertilizer project, aimed at developing a simple air stripping process to extract and recover nitrogen from digestates, helped to direct design choices, optimize process performance and develop a model to assist OTV, a Group company, with the preliminary design of its facilities. This new development is envisaged at future co-digestion sites where ammonia is toxic for the digester's microbial flora.

Delivery of simulation models for mechanical-biological sorting centers

VERI has delivered OPTI-TMB, the first tool able to simulate the operation of a mechanical-biological sorting plant (MBS). OPTI-TMB was developed on the DYMOLA platform and groups together the libraries of models. Each model can be used to simulate a stage in the MBS process (storage, mechanical treatment, biological treatment and air treatment). The tool was designed by MBS experts. The simulations can be used to assess the mass balances of a plant based on the operating parameters and determine potential for optimization throughout the process.

1.4.3.3 Energy

Industrial symbiosis simulation tool INDSY

R&I and a Group company in the Netherlands developed a simulation tool to identify and assess potential symbiosis between industrial companies in the same geographic cluster. INDSY comprises a carbon footprint calculation tool and a library of industrial utilities models, implemented in a simulation environment (DYMOLA). This initial version seeks to increase performance and commercial development in clusters operated by Veolia and will be tested in the Netherlands and Germany.

Deployment of the Smart Substation innovation

R&I, the Technical and Performance Department and a Group company in Poland, together with operators at the Poznan site, have jointly developed and industrialized a decision-making tool to help, on a daily basis, heating network operators prioritize sub-station maintenance activities. Using existing telemetry systems, technical defaults can be rapidly detected and an initial diagnostic performed remotely. The tool was successfully assessed during the last heating session.

Tool to calculate the reference energy consumption of a building

Developed in accordance with the International Performance Measurement and Verification Protocol, the PERFBAT M&V tool identifies the most precise model for measuring the reference energy consumption of buildings, in order to best monitor energy savings. After positive feedback from users, the tool demonstrated its added value compared with current practices. It is approved by the Efficiency Valuation Organization. The tool can be easily accessed *via* a Web browser and will be roll-out to all Group entities from 2019.

Optimization of heat management for service buildings

Developed by R&I, the BATINTEL solution optimizes the heat management of services sector buildings, while maintaining comfort levels. It is easy to implement, as it does not modify on-site regulation but sends optimized recommendations to the building's technical management system. The solution payback period is consistent with the short term of building energy services contracts.

1.4.3.4 Transversal activities

Preserving biodiversity: Veolia and the French National Museum of Natural History strengthen their partnership

The French National Museum of National History (MNHN) and Veolia Environnement have signed a five-year framework agreement, with the aim of expanding and strengthening the current partnership between MNHN and the Group. MNHN and Veolia have already worked together for a number of years on two biodiversity projects: the Mathematical Modeling and Biodiversity chair (MMB) and the Automated urban biodiversity monitoring project. The seminar organized by the MMB chair in December 2018, explored the concept of natural capital and the integration of this concept into Veolia's new economic models, combining eco-efficiency, profit and resilience.

R&I supporting sustainable agriculture: Veolia, INRA and Irstea continue their alliance

Veolia, INRA and Irstea committed to continuing and developing their alliance to support sustainable agriculture, with the signature of a new five-year framework agreement. One of the objectives is to regain the agronomic potential of soil using compost produced by the circular economy. INRA and Veolia have worked together for 20 years in the QUALIAGRO research project, which seeks to characterize the agronomic, health and environmental value of different types of urban compost. INRA, Irstea and Veolia are also partners in the Smart Ferti Reuse project to develop an innovative service to support agriculture and local authorities with the optimized and reasoned management of processed urban wastewater and fertilizers. They also work together on the PROTERR program to develop regional management tools for fertilizers produced from residues, to ensure their best possible recovery within territories.

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

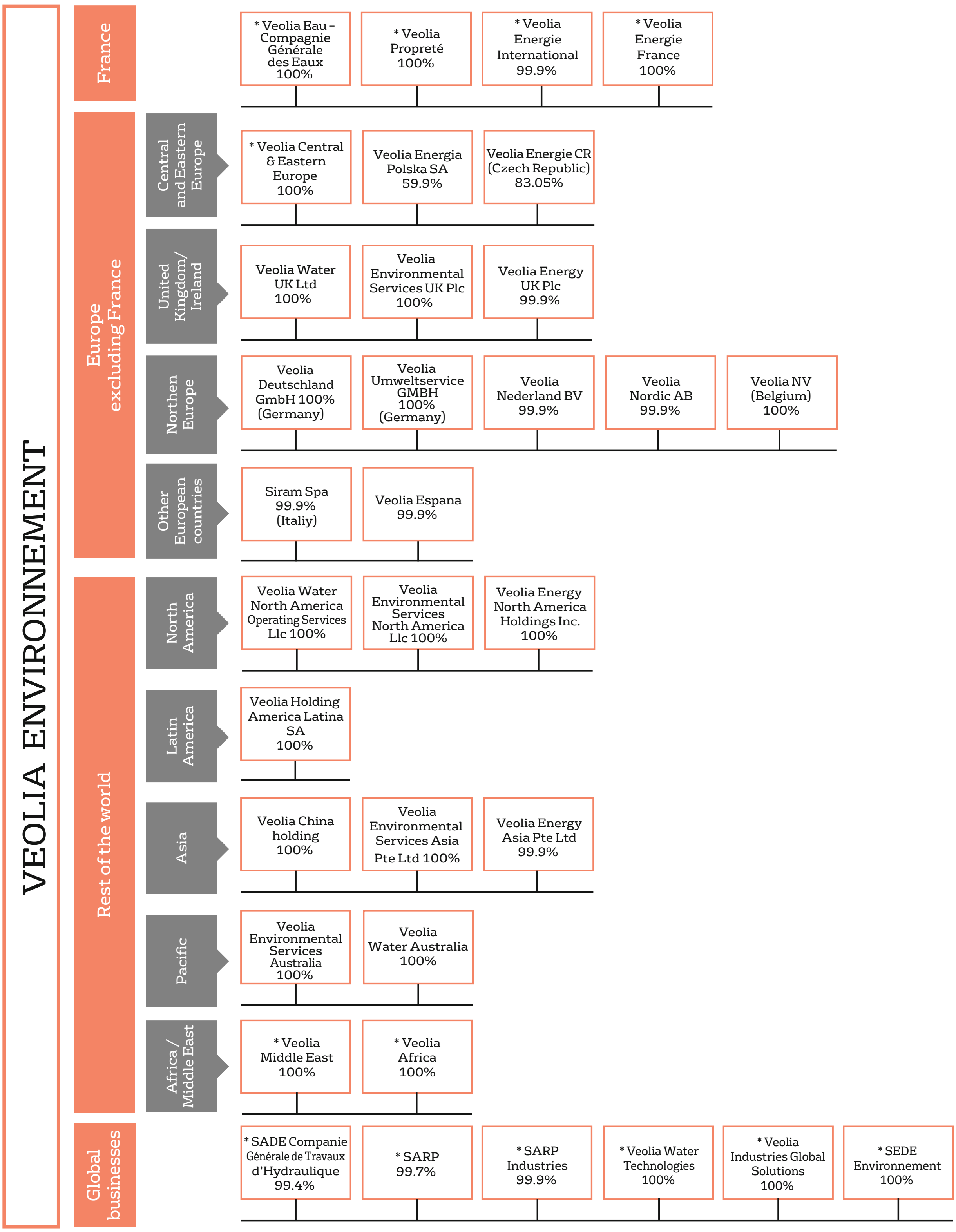
1.5.1 ORGANIZATIONAL CHART

The following organizational chart is a simplified chart of the main subsidiaries owned by Veolia Environnement, directly and/or indirectly, on December 31, 2018, 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 2018 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 2018 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, 2018

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 2018 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.

2018 revenue

(in € million)	Total
France	**5,499.3**
Water France	2,941.5
Waste Solutions (Recyclage et valorisation des dechets)	2,557.7
Europe excluding France	**9,096.0**
Central and Eastern Europe	3,132.4
United Kingdom and Ireland	2,192.6
Northern Europe	2,718.0
Iberia	417.2
Other Europe excluding France	635.9
Rest of the world	**6,619.7**
North America	2,035.8
Latin America	795.3
Asia	1,789.8
Pacific	1,024.8
Africa/Middle East	974.1
Global businesses	**4,665.5**
Veolia Water Solutions and Technologies	1,606.8
SADE CGTH	1,234.0
Hazardous waste	1,097.5
Énergie France	127.6
Other Global businesses	599.6
Other	**30.7**
TOTAL GROUP	25,911.1

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 €5,499.3 million in 2018, or 21% of the Group's total business activities. EBITDA is €802.0 million (24% of Group EBITDA for 2018).

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.

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

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

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

Water France 2018 revenue was €2,941.5 million, 11.4% of Group revenue in 2018.

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

Taken together, the public service concession contracts renewed in 2018 represent estimated cumulative revenue of €827.7 million, in what remains a highly competitive market.

Major contract wins during the year include:

- Bordeaux Metropole awarded Veolia a seven-year contract for the comprehensive management of wastewater and rainwater services in 28 districts;
- the Valence Romans agglomeration chose Veolia to build a anaerobic digestion facility injecting biomethane directly into gas networks and to manage the Portes-lès-Valence and Valence stations for a period of 15 years;
- SIARCE, Syndicat Intercommunal d'Aménagement des Rivières et du Cycle de l'Eau, (Paris region) renewed its confidence in Veolia for the production and transport of drinking water to 16 districts in 2019 and 22 districts in 2021. The Itteville production facility will be equipped with a decarbonation system to enable the distribution of softer water;
- in Dinan, Veolia Eau partnered with the municipal association to create a SEMOP (French semi-public company for a single transaction) to distribute drinking water during a seven-year period.

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

City	Estimated annual revenue *(in € million)*	Contract expiry date
Toulon (2 drinking water contracts/1 wastewater contract)	32	2019

Waste Solutions (Recyclage et valorisation des déchets)

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

The circular economy roadmap and the law for energy transition and green growth establish ambitious goals for reducing the tonnage of waste taken to landfills (-50% by 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 clients (public administrative area groupings (EPIC), metropolis, municipal associations, joint agencies, etc.). Therefore, while looking for economically-efficient collection and recovery services, market players (local authorities and industrial companies) seek to contribute to the objectives of the energy transition law through production and consumption methods using less non-renewable resources.

As a partner to many industries and communities, the Waste Solutions Business Unit is seeking to make Veolia the producer

(1) According to the BIPE 2015 report.

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.

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.

2018 revenue for this Business Unit amounted to €2,557.7 million and represents 9.9% of Group revenue in 2018.

Veolia Énergie France

Veolia Énergie France, offers comprehensive energy services to public and private clients in France. Veolia Énergie France generated annual revenue of €127.6 million in the year ended December 31, 2018.

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 clients 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.);
- living (condominiums, social housing, hotels, luxury residences);
- service (buildings, offices, movie theaters, mass retail, shopping malls, etc.).

The major contracts signed in France in 2018 with municipalities or with companies in the industrial and service sectors were as follows*:

Municipality or company and location thereof	Month of signature of contract	New contract, or extension or renewal	Contract term	Estimated cumulative revenue *(in million euro)*	Services provided
Water France					
Communauté Urbaine Angers Loire Métropole	February	New	10	38	Optimization and operation contract for a wastewater treatment plant
Communauté d'Agglomération des Deux Baies en Montreuillois	April	Renewal	12	25	Management of the collection, transportation and treatment of wastewater
Syndicat Intercommunal d'Assainissement de la Côte de Nacre	April	New	10	21	Public service concession for municipal wastewater services
Métropole Toulon Provence Méditerranée	May	Renewal	7.5	43	Public service delegation contract for the management of wastewater services
Bordeaux Métropole	July	New	7	352	Municipal wastewater treatment and rainwater management
Valence Romans Agglomeration	July	Renewal	15	65	Operation of wastewater treatment plants
Communauté d'Agglomération du Grand Avignon	August	Renewal	10	88	Operation, maintenance, monitoring and repair of wastewater installations
Communauté d'Agglomération Cannes Pays de Lérins	October	New	10	24	Public service delegation contract for municipal and on-site wastewater services
Communauté d'Agglomération Dinan Agglomération	October	New	7	24	Public service concession for the production and distribution of drinking water
Syndicat Intercommunal d'Aménagement de Rivières et du Cycle de l'Eau (SIARCE)	November	Renewal	15	110	Public service management of drinking water production, transportation and distribution services
Communauté d'Agglomération Villefranche Beaujolais Saône	December	Renewal	8	31	Production transportation and distribution of drinking water
Waste Solutions (Recyclage et Valorisation des Déchets)					
Syndicat Mixte d'Elimination des Déchets de l'Arrondissement de Rouen	February	Renewal	6.5	94	Operation of a waste-to-energy facility
Syndicat Mixte de Traitement des Ordures Ménagères du Nord Seine-et-Marne (SMITOM)	April	Renewal	10	129	Operation of household waste processing and recovery facilities
SIGIDURS - Sarcelles	April	Contract extension	7	51	Household waste collection
Communauté d'Agglomération Toulon Provence Méditerranée	May	Renewal	6	29	Household waste collection
Nantes Métropole	July	Renewal	15	332	Construction work and Public service concession for the operation of a waste processing and recovery plant
Valorisation Cornouailles (VALCOR - Concarneau)	July	Renewal	6	20	Management of a waste-to-energy facility and a bottom ash processing facility
Communauté de Communes du Territoire de Lunéville à Baccarat	October	New	10	65	Public service delegation contract for household waste collection and processing
City of Paris	November	Renewal	3	50	Household waste collection
Energy France					
GrandLyon Habitat	December 2017	New	9	9.5	Operation and maintenance contract for heating, ventilation and air-conditioning installations

* *Revenue from the contracts indicated represents the portion due to Veolia under these contracts. Accordingly, the sums indicated may differ from the figures provided in the press releases issued by the Group.*

1.5.2.2 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 2018 amounted to €9,096.0 million and represents 35.1% of Group revenue for the year ended December 31, 2018. EBITDA is €1,354.1 million (39.9% of Group EBITDA for 2018).

Central and Western Europe

Veolia is mainly present in Central Europe in the water and energy markets, where the Group manages municipal drinking water and/or wastewater systems for major cities including the capital cities Prague, Sofia, Budapest and Bucharest. Veolia also supplies around 35% of the Czech population. In the energy market, the Group has a strong presence in the operation of heating networks (production and/or distribution), in particular in Poland (dominant position due to its presence in Warsaw, Poznan and Lodz), the Czech Republic (Prague Left Bank and Ostrava), Slovakia (Bratislava) and Hungary (Dorog, Pecs and Szakoly). Veolia also recycles and recovers non-hazardous industrial and commercial waste in the Czech Republic. In September 2018, these activities were strengthened by the acquisition in Slovakia of PPC - Bristol Group (located near Bratislava), helping to increase the percentage of gas and renewable combustibles in the energy mix and extending Veolia's activities into the unregulated energy market. In December 2018, the acquisition of a majority stake in VPP Projekt in Hungary was completed, making Veolia one of the top four Hungarian energy market control centers (heating, electricity) and bolstering its position in the unregulated market. Most of Veolia's activities are public service concessions for local authorities carried out under concession contracts or infrastructure leasing/operation contracts or through regulated activities in the Energy business line. The portfolio also includes service contracts for companies and local authorities, as well as for the supply of energy and fluids (heat, cold, hot water, chilled water, etc.). Veolia offers innovative contractual models tracking energy performance (like the energy performance contract with the Kosice university complex in Slovakia) and/or environmental performance.

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

United Kingdom and Ireland

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

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

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

Nevertheless, regulations favoring the circular economy open up numerous avenues for growth, in particular *via* combined circular offers, such as waste-energy or water-waste where Veolia has carved out a leader's position, as well as specific solutions such as the processing of hazardous waste or the recycling of plastic and glass.

Northern Europe

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

In Germany, the Group is present in the three business lines – Water, Waste and Energy – through partnerships with public authorities, industrial clients and service companies. In 2018, Veolia continued to strengthen its presence in waste recovery with a number of small acquisitions in the plastic recycling and alternative fuel sectors.

In Benelux, Veolia is active in the Energy and Water business lines and, since 2018, in Waste, following the acquisition of HCI. This has enabled Veolia to extend the range of services offered to its clients, particularly at the Antwerp petrochemical site.

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 has strengthened its position in recycling (paper, plastic) and industrial cleaning and can now offer clients a range of services covering all the Group's business lines.

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

Other European countries

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

In Portugal, Veolia's activities 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.

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 clients. Veolia offers multi-service and energy performance contracts for the service sector with a strong market presence in hospitals (*e.g.* Milan Polyclinic, ASP Palermo), public administration (*e.g.* the University of Parma in the Lombardy region) and the industrial sector (*e.g.* multi-technical contracts with Peroni and Leonardo).

The major contracts signed in the Europe excluding France segment in 2018 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
Volkswagen Poznań Poland	January	New	10	12	Industrial energy services
Azienda Sanitaria Locale Caserta Italy	February	New	5	29	Municipal energy services
City of Celldömölk Hungary	April	Renewal	25	11	Concession contract for an urban heating network
Jardin de Lin B.V. (Keter Group B.V.) Netherlands	April	Renewal	1	15	Industrial waste processing
Comune di Rozzano Italy	May	New	23	14	Municipal energy services
Northampton Borough Council United Kingdom	May	New	10	151	Household waste management
Landkreis Bautzen Germany	May	Renewal	6	9	Paper collection and recycling
City of Trzcianka Poland	June	Renewal	10	20	Management of an urban heating network
Mater Private Hospital (Dublin) Ireland	June	New	16.5	20	Management of energy services
City of Järfälla Sweden	June	Renewal	4	13.5	Management of municipal water services
Polypipe Limited Netherlands	July	Renewal	3	25	Supply of recycled plastic
Irish Water Ireland	July	New	3	27	Improvement and operation of a drinking water treatment plant
City of Aveiro Portugal	July	New	8	11	Collection of urban waste

* *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 2018 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 2018 amounted to €6,619.7 million, and represents 25.5% of Group revenue in 2018. EBITDA is €952.6 million (28.1% of Group EBITDA for 2018).

North America

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

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

The Group is a leading provider of operations management and maintenance services for drinking water and wastewater systems in the North American sector *via* public-private partnerships 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 solvent reclamation processes and beneficial reuse programs, Veolia turns industrial customers' environmental challenges into circular economy solutions.

These circular economy solutions, in particular in the form of resource recovery and regeneration, are some of Veolia's primary areas of development in North America following its recent success in potash recovery and the cleaning and recycling of 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.

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

Latin America

In Latin America, Veolia operates its Water, Waste and Energy business lines in Brazil, Argentina, Chile, Colombia, Peru, Mexico and Ecuador 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 and Colombia, industrial process water recycling and, since 2017, the recovery and processing of solvents in Argentina. In May 2018, Veolia acquired the activities of Grupo Sala, a leader in hazardous and municipal waste in Colombia.

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).

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. New methods of accessing basic services are emerging on the continent, alongside traditional centralized network solutions. In both cases, external financing is available for the completion of new projects involving Veolia. In the Middle East, where the pressure on water demand remains high, desalination plant projects are multiplying and are often for extremely high capacity plants.

In the industrial market, the national and international oil and mining industries, whose presence is strong in this region, remain buoyant, as does the food and beverage industry driven by the emergence of a middle class. Veolia offers wastewater treatment and hazardous waste processing solutions, and supplies process water.

The service sector accounts for a significant portion of Veolia's activities in the Middle East through its subsidiary ENOVA, a joint venture with Majid-Al-Futtaim.

Veolia's presence in Africa is mainly concentrated in two countries: Morocco and Niger. In Morocco, Veolia provides electricity and water distribution services and wastewater treatment services for the cities of Rabat, Tangier and Tetouan through three concession contracts. In Niger, Veolia supplies the country's urban centers with drinking water under a lease contract. More recently, activities have started up in Ghana and Ivory Coast, in the industry and municipal water sectors, respectively, and in Madagascar and Mauritius in the waste sector.

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

The major contracts signed in the Rest of world segment in 2018 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
E. I. Du Pont De Nemours and Company United States	February	New	18	643	Management of water, energy and industrial wastewater services
University of the Sunshine Coast Australia	March	New	10	15	Management of water, energy and air-conditioning services
ShanXi ShuiTa Vinegar Industry Co., Ltd. China	April	New	20	83	Energy production (biomass)
Toledo Refining Company LLC United States	April	Renewal	7	29	Management of an industrial wastewater treatment plant
SK hynix Inc. South Korea	June	Renewal	9	613	Treatment and recycling of industrial water
KleanNara Co., Ltd. South Korea	June	New	15	138	Management of energy services
MagnaChip Semiconductor, Ltd. South Korea	June	Renewal	10	56	Treatment and recycling of industrial water
Scentre Shopping Center Management (Westfield) Australia	July	Renewal	5	76.5	Waste management
Shandong Mingke Jiayang Environmental Protection Engineering Co., Ltd. China	July	New	7	70	Energy production (biomass)
Downriver Utility Wastewater Authority - Michigan United States	August	New	20	267	Management of municipal wastewater services
PFO Africa Côte d'Ivoire Ivory Coast	August	New	2.5	52	Design and Build of a drinking water treatment plant
Shandong State Grid China	September	New	20	321	Energy production (electricity and steam)
Phoenix Energy Australia Pty Ltd Australia	October	New	25	365	Management and maintenance of a waste incineration plant
City of São Paulo Brazil	October	Renewal	0.5	11	Management of a municipal landfill
Beijing Zhongyunxin Shunyi Data Tech Co., Ltd. China	December	New	20	125.5	Cooling water

* *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 2018 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 2018 amounted to €4,665.5 million, and represents 18.0% of Group revenue in 2018. EBITDA is €272.6 million (8.03% of Group EBITDA for 2018).

Veolia Water Technologies

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

SADE

SADE specializes in the design, construction, renovation and maintenance of networks and facilities for the 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.

Hazardous waste

The Hazardous Waste Division encompasses hazardous waste collection and processing activities 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.

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.

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).

The major contracts signed in the Global businesses segment in 2018 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
Régie Intercommunale de traitement des Eaux Bonneville France	December 2017	New	2	16.5	Wastewater Treatment Plant extension
Upper Egypt Electricity Production (Assiut) Egypt	January	New	2	17	Water and wastewater services at an electric power plant
Cairo Electricity Production Company Egypt	January	New	2	16.5	Water and wastewater services at an electric power plant
Lyondell Chemie Nederland B.V. Netherlands	February	New	2	15	Industrial wastewater treatment plant extension
Arcelor Mittal Fos sur Mer France	March	New	15	447	Operation and management of an energy production plant at Fos-sur-Mer
Modec International, Inc. (FPSO SEPIA) Brazil	March	New	2	15	Treatment of sulphates
Dhaka Water Supply and Sewerage Authorithy Bangladesh	May	New	4	136	Operation of a drinking water production plant
Seine Saint Denis département France	June	Renewal	4	16	Wastewater services, 3D, appraisal of effluent quality and transport conditions
Engineering for the Petroleum and Process Industries (Safaniyah) Egypt	August	New	1	14.5	Seawater desalination
Orasqualia (Abu Rawash) Egypt	September	New	3	15	Sanitation
Arauco Celulosa Chile	October	New	2	12.5	Industrial equipment sale

* *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 2018 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).

1.5.3.2 Real estate, plants and equipment

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

The total gross value of Group non-current assets (excluding other intangible assets) as of December 31, 2018 was €28,104 million (net value of €12,810.5 million, or 34% of total consolidated assets), compared with €27,209 million as of December 31, 2017, re-presented (net value of €12,383.8 million, re-presented).

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

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

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

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

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

- 3,603 drinking water production plants managed;
- 2,667 wastewater treatment plants managed;
- 655 waste processing facilities operated;
- 2,389 industrial sites served.

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

In addition, assets purchased under finance leases which fall into one of the three asset categories detailed above had a net value of €181 million as of December 31, 2018.

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

The main insurance policies subscribed by the Company are described in Chapter 5, Section 5.1.6 below.

Environmental issues that may also influence the Company's use of property, plant and equipment, as detailed in Section 1.6 below.

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.

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 ship recycling in accordance with hazardous waste standards.

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

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

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

On November 30, 2016, the European Commission proposed the **Clean Energy Package** which seeks to put energy efficiency first, achieve global leadership in renewable energies and provide a fair deal for consumers in the electricity market. It includes amendments to several directives including the directive dealing with energy efficiency and renewable energies.

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 energies**, the European Commission, EU Council and European Parliament in a tripartite meeting reached an agreement to revise the previous Directive, including a renewable energy target in the EU energy mix for 2030 of 32% (with a clause for an upwards revision by 2023). This revised directive (EU) 2018/2001 of December 11, 2018 will become the primary legislative framework governing heating networks and recognizing unavoidable waste heat. This revision will lead to the adoption of a harmonized framework for biomass sustainability criteria.

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WATER

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

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

The year 2018 was marked by discussions on plastic: publication of the **plastic** strategy by the European Commission in January 2018, a draft directive on single-use plastics, etc.

ENERGY

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) which should be submitted to the European Commission before the end of 2019.

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.

Regulations common to the 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 with effect from June 1, 2015. 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 freely allocate 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, decision 2015/1814 and the revision of phase 4 will introduce a stability reserve in early January 2019 to withdraw the surplus accumulated in previous periods that results 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 4 and the reserve had a major impact on the European Union emission trading system, with early January 2019 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 SF_6 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.

1.6.3 FRENCH REGULATIONS

European regulations significantly influence French law. It is 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.

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 Augu[st] 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.

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.

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.

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

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.

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.

WATER

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

ENERGY

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.

Regulations common to the 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 (taken in the fall of 2007), known as the "**Grenelle 1 law**" of August 3, 2009, was supplemented by a law comprising national environmental commitments, known as the "**Grenelle 2 law**" of July 12, 2010. These laws seek to implement six major projects, which have significant implications for each of the Group's business lines. The construction, transport, health and waste, water and biodiversity, and energy sectors were all affected, as were environmental governance and information transparency;
- the **law of August 17, 2015 on energy transition for green growth** significantly amended French environmental legislation. It seeks to enable France to contribute more efficiently to the fight against climate change and to strengthen its energy independence through a better balance between supply sources. The eight chapters cover the main energy transition objectives: renovating buildings to save energy, clean and sustainable transport to reduce air pollution, waste recycling and the circular economy, renewable energies, nuclear energy, simplifying and clarifying procedures and empowering citizens, businesses, regions and the government.
- In application of this law, the decree of November 18, 2015 sets national carbon budgets and adopts **the national low carbon strategy (NLCS)**. The NLCS contains guidelines for the implementation of the greenhouse gas emissions reduction policy. These documents apply to the government, local authorities and legal entities under public law which must take account of the NLCS in their planning and scheduling documents having a material impact on greenhouse gas emissions. Carbon budgets are national greenhouse gas emission caps set for the periods 2015-2018, 2019-2023 and 2024-2028. The objectives of the NLCS are presented by major sector (transport, construction, agriculture, industry, energy, waste);
- The **energy multi-annual planning document (EMAPD)**, 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.
- Following a public consultation, new draft energy multi-annual planning documents and NCLS were presented and should be subject to new consultations in 2019 prior to their final adoption;
- **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 concerns the creation of the French Agency for Biodiversity which will, in particular, take over the duties of the National Office for Water and Aquatic Environments (ONEMA);
- the national plan to reduce emissions of atmospheric pollutants **(PREPA)** was published in an Order dated May 10, 2017 (and a decree on the same day). These texts set out the national emission reduction objectives for 2020, 2025 and 2030 and the actions to be taken;
- the majority of facilities operated by the Group fall under the scope of **the "ICPE" regime (Facilities Classified for Environmental Protection)**. This central regime for environmental law lists facilities that are likely to present disadvantages or dangers to the environment as a result of their activities or the substances handled and subjects them to a range of different requirements (such as declarations, registration and authorizations).
- After environmental assessment reforms (impact study) and public information and consultation initiatives (pubic inquiry) launched in 2016 and implemented in 2017, the single environmental permit reform (Order no. 2017-80 and Decrees of January 26, 2017) substantially changes ICPE legislation. It merges 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.
- For all the areas presented above, violation of most of these laws is punishable under both civil and criminal law and a company may even be found criminally liable.

1.6.4 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, the Compensation and Liability Act of 1980, as amended (also known as CERCLA or Superfund), and the Clean Air Act, all of which are administered either by the EPA, or state agencies to which the EPA delegates enforcement powers. Each state in which the Group operates also has its own laws and regulations governing the production, collection and processing of waste, including, in most cases, the design, operation, maintenance, closure and post-closure maintenance of landfill sites and other hazardous and non-hazardous waste management facilities.

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

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

Under US law, the federal government has jurisdiction over inter-state commercial activities (involving parties from different federal states), including in the electricity wholesale market. Accordingly, as an owner of electricity production facilities, the Group is subject to Federal Energy Regulatory Commission (FERC) regulations pursuant to the Federal Power Act, the Public Utility Regulatory Policies Act of 1978 and the Public Utility Holding Company Act of 2005. With regard to its US thermal energy activities, the Group is subject to the laws of the 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, these two activities involve atmospheric emissions and the consumption of water for industrial purposes and as such require the Group to comply with the majority of the above water and waste regulations.

In Australia

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

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

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

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

The 2007 **Water** Act, enacted at federal level, is the keystone of legislation governing the treatment of water and wastewater. However, in terms of controls on the quality of water, it is the EPA in each state or territory that is responsible for enforcing water quality regulations. In New South Wales, for example, 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 Air Pollution law (amended in 1995 and 2000), the 1995 Solid Waste law (amended in 2004) and the 1996 Environmental Noise Prevention and Control law.

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

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

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

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

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

The Environmental Protection Tax law was passed on December 25, 2016 by the Standing Committee of The National People's Congress of China. It provides the strongest legal foundation to date for enforcement of environmental protection measures, replacing the pollutants emission fee system which has been in place for almost 40 years. It will also impose higher fees on industry which is the basic incentive for industry to reduce emissions and other polluting activities. On January 2, 2018, the Council of State published two regulations implementing 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 will offer 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 administrative measures set out responsibility for treating and restoring polluted soil.

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

On April 17, 2017, the Ministry for the Environment communicated the 13th five-year plan for developing national environmental protection standards, which will improve these standards and indicate the positive role played by them in improving the quality of the environment 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 1st, 2019. The law 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 Regulation relating to Environmental Impact Evaluation has been amended. A project company will be responsible for the result and any matter arising from Environmental Impact Evaluation (a step prior to project construction). The Environmental Impact Evaluation Agency will no longer undertake joint liability with the project company regarding Environmental Impact Evaluation report and the qualification of agency is not required any more.

The Ministry of Ecology and Environment (previous 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 pollutant, The State Council has released the Circular of the State Council on Issuing the Three-year Action Plan for Winning the Battle for a Blue Sky on June 27, 2018. The target is by 2020, the total emissions of sulfur dioxide and nitrogen oxides will be reduced over 15% compared with those in 2015; the concentration of PM2.5 in cities will decline by 18% compared with that in 2015, the ratio of days with superior air quality in cities at the prefectural level or above will reach 80%, and the ratio of days with severe and worse pollution will be 25% lower than that in 2015. The Industrial Structure shall be adjusted and optimized accordingly.

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, 2018, Veolia Environnement's share capital was €2,827,966,705, divided into 565,593,341 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 the Registration Document, the Company's share capital is unchanged.

2.1.2 MARKET FOR THE COMPANY'S SHARES

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

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

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

Euronext Paris

	Share price *(in €)*		
Year *(month)*	**High**	**Low**	**Trading volume**
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
June	19.875	18.035	41,559,639
May	20.780	19.330	51,415,183
April	19.760	18.750	31,246,058
March	20.210	18.570	45,689,036
February	20.490	18.835	44,725,189
January	22.290	20.000	50,960,635
2017			
December	21.620	20.700	36,655,349
November	21.480	20.335	40,298,528
October	20.490	19.390	34,199,024
September	20.150	18.995	38,786,358
August	19.775	18.810	37,642,845

Source: Bloomberg.

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

2.1.3 PURCHASE OF TREASURY SHARES BY THE COMPANY(1)

2.1.3.1 Repurchase plan in effect as of the date of filing of this Registration Document (plan authorized by the Combined General Meeting of April 19, 2018)

During the Combined General Meeting of April 19, 2018, the Company's shareholders authorized a share repurchase plan that allows the Company to purchase, sell or transfer its shares at any time, except during a public offer, within the limits authorized by prevailing legal and regulatory provisions, and by any means, on regulated markets, on multilateral trading systems, with systematic internalizers or over the counter, including through block sales or purchases (with no limit on the proportion of the share repurchase plan that may be implemented by this method), by public offers to purchase or exchange shares, or through the use of options or other forward financial instruments traded on regulated markets, multilateral trading systems, with systematic internalizers or concluded over-the-counter or through delivery of shares following the issue of securities granting access to the Company's share capital through conversion, exchange, redemption, exercise of a warrant or otherwise. Transactions may be conducted either directly or indirectly through an investment services provider.

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

This authorization allows the Company to trade in its own shares with the following objectives: (i) implementing all Company stock option plans or any similar plan, (ii) 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 19, 2018 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 Registration Document, will expire no later than eighteen months from the date of the Combined General Meeting of April 19, 2018, *i.e.*, on October 19, 2019, 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 2018

Percentage of the Company's share capital held as treasury shares as of December 31, 2018	2.21
Number of treasury shares held as of December 31, 2018	12,510,389
Carrying value of the portfolio as of December 31, 2018(1)	€392,168,489
Market value of the portfolio as of December 31, 2018(2)	€224,624,034
Number of shares canceled over the past 24 months	0

(1) Carrying value excluding provisions.
(2) Based on the closing price as of December 31, 2018 (€17.955).

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

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

The table below details transactions by the Company in treasury shares in 2018 under the program authorized by the Combined General Meeting of April 19, 2018:

	Cumulative gross flows as of December 31, 2018		Open positions as of December 31, 2018			
			Open buy positions		Open sell positions	
	Purchases(1)	Sales/ Transfers(2)	Call options purchased	Forward purchases	Call options sold	Forward sales
Number of shares	5,436,308	6,630,754	N/A	N/A	N/A	N/A
Average transaction price *(in €)*	19.17	19.36	N/A	N/A	N/A	N/A
Average strike price *(in €)*	N/A	N/A	N/A	N/A	N/A	N/A
AMOUNT *(in €)*	**104,415,409**	**94,476,055**	**N/A**	**N/A**	**N/A**	**N/A**

N/A: not applicable
(1) Purchases performed under the liquidity agreement and the Management Incentive Plan.
(2) Sales performed under the liquidity agreement, the Share Incentive Plan UK and the Management Incentive Plan.

2.1.3.3 Objectives of transactions carried out in 2018 and allocation of treasury shares held

As of December 31, 2018, Veolia Environnement held a total of 12,510,389 treasury shares, representing 2.21% 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:

- 4,121,330 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, 2018, Veolia Environnement did not hold any shares under the liquidity agreement established on September 30, 2014.

2.1.3.4 Description of the program submitted to the Combined General Meeting of April 18, 2019 for authorization

The share repurchase authorization described in Section 2.1.3.1 above will expire on October 19, 2019 at the latest, unless the Combined General Meeting of April 18, 2019 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) cancelling all or some of the securities thus repurchased, pursuant to the twenty-second 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.*, 56,559,334 shares as of the date of filing of this Registration Document, it being specified that (i) the number of shares purchased for retention and subsequent delivery as part of a merger, spin-off or contribution may not exceed 5% of the share capital; and (ii) when shares are bought to increase liquidity under the conditions defined by the AMF's general regulations, the total number of shares taken into account to calculate the aforementioned 10% limit is the number of shares bought, after deduction of the number of shares sold during the period of the authorization,
  - the number of shares that the Company holds at any given time whatsoever does not exceed 10% of the shares comprising the Company's share capital on the date in question;
- shares may be purchased, sold or transferred at any time, within the limits authorized by prevailing legal and regulatory provisions, **but not during a public offer**, and by any means, particularly on regulated markets, multilateral trading systems, with systematic internalizers or over-the-counter, including by block purchases or sales (with no limit on the proportion of the share repurchase plan that may be implemented by this method), by public offers to purchase or exchange shares, or through the use of options or other forward financial instruments traded on regulated markets, multilateral trading systems, with systematic internalizers or over the counter or through delivery of shares following the issue of securities granting access to the Company's share capital through conversion, exchange, redemption, exercise of a warrant or otherwise. Transactions may be conducted either directly or indirectly through an investment services provider;
- the maximum purchase price of the shares under this resolution will be €30 per share (or the equivalent of this amount on the same date in any other currency); this maximum price is only applicable to acquisitions decided as from the date of the Combined General Meeting of April 18, 2019 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 18, 2019, cancel any as yet unused portion of any prior authorization granted to the Board of Directors to trade in the Company's shares. This authorization is granted for a period of eighteen months from the date of this Combined General Meeting.

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

2.1.4 AUTHORIZED BUT UNISSUED SHARES

2.1.4.1 Authorizations adopted by the Combined General Meeting of April 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 2018
Share repurchases				
	Share repurchase program Except during a public offer period (Resolution 12)	18 months October 19, 2019	**€30 per share, up to a limit of 56,336,482 shares and €1 billion;** the Company may not hold more than 10% of its share capital	**Treasury shares** As of December 31, 2018, the Company held 12,510,389 shares, valued based on the closing share price as of December 31, 2018 (€17.955) at €224,624,034 **Movements in the liquidity contract** 5,436,308 shares purchased and 6,630,754 shares sold. As of December 31, 2018, no shares are held under the liquidity contract (see Section 2.1.3 above)
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
	Share capital increase through the capitalization of premiums, reserves, profits or other items* (Resolution 18)	26 months June 19, 2020	€400 million (par value) representing **approximately 14.2% of the share capital** as of the date of the General Meeting (this par value maximum amount counting towards the overall cap)	None

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

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 2018
Share issues reserved for Group employees and executives				
	Issuances reserved for members of employee savings plans with cancellation of preferential subscription rights* Share capital increase by issuing shares or securities granting access to the Company's share capital (Resolution 19)	26 months June 19, 2020	€56,336,482 (par value) representing **approximately 2% of the share capital** as of the date of the General Meeting (this amount counting towards the overall cap)	Share capital increase reserved for employees (Group savings plan): issue on September 20, 2018 of 2,228,518 new shares, representing **approximately 0.4% 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 20)	18 months October 19, 2019	€5,633,648 (par value) **representing approximately 0.2% of the share capital** as of the date of the General Meeting (this amount counting towards the overall cap)	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 21)	18 months October 19, 2019	**0.5% of the share capital** as of the date of the General Meeting, subject to the following sub-ceilings: (1) **0.4% of the share capital** for performance shares granted to corporate officers of the Company and certain employees of the Company or the Group and (2) **0.1% of the share capital** for free shares, not subject to performance conditions, granted to all employees of the Company and French Group companies	During its meeting of May 2, 2018, the Board of Directors decided to grant, effective the same day: (1) 1,731,368 performance shares to approximately 700 beneficiaries, representing **approximately 0.31% of the share capital** at this date and (2) 248,580 free shares without performance conditions to 49,716 beneficiaries, representing approximately 0.04% **of the share capital** at this date
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 thirteenth resolution adopted by the Combined General Meeting of April 19, 2018.*

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

2.1.4.2 Authorizations proposed to the Combined General Meeting of April 18, 2019

Type of authorization	Securities/transactions concerned	Term of authorization and expiry date	Upper limit on the use of the authorization (in € million and/or as a percentage)
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)
	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)
	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)	18 months October 18, 2020	**0.4% of the share capital** as of the date of the General Meeting.

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

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

2.1.5 OTHER SECURITIES GRANTING ACCESS TO THE SHARE CAPITAL - POTENTIAL DILUTION

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 free shares and 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:

- 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.

The scheduled issue date for the free shares is May 2019 and for the performance shares is May 2021. If all these shares were issued, this would represent a dilution of 0.35%, based on 565,593,341 shares outstanding as of December 31, 2018.

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 2014:

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

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, 2018 are as follows:

Issue date	Currency	Nominal issue amount *(in millions of currency units)*	Additional drawdowns/partial repurchases	Nominal amount outstanding as of December 30, 2018 *(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
April 24, 2009	EUR	750				
November 2014	EUR		(175)			
April 2015	EUR		(113)	462	6.75%	April 24, 2019
July 6, 2010	EUR	834				
April 2015	EUR		(196)	638	4.247%	January 6, 2021
March 30, 2012	EUR	750		750	4.625%	March 30, 2027
April 9, 2015	EUR	500		500	1.59%	January 10, 2028
October 4, 2016	EUR	600		600	0.314%	October 4, 2023
October 4, 2016	EUR	500		500	0.927%	January 4, 2029
March 30, 2017	EUR	650		650	0.672%	March 30, 2022
March 30, 2017	EUR	650		650	1.496%	November 30, 2026
November 21, 2017	EUR	500		500	0%	November 23, 2020
December 5, 2018	EUR	750		750	1.94%	January 7, 2030

As of December 31, 2018, the total nominal amount outstanding under the EMTN program was €8,503 million, including €8,041 million maturing in more than one year.

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

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

As of December 31, 2018, the total nominal outstanding amount was approximately €700 million, maturing in more than one year.

Public issue on the US market

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

As of December 31, 2018, the total nominal outstanding amount was US$400 million (€349 million euro-equivalent), maturing in more than one year.

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

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

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

On August 9, 2018, Veolia Environnement continued its bond issue program with a second one billion renminbi bond issue, maturing on August 10, 2019 and paying a coupon of 4%.

As of December 31, 2018, the total nominal outstanding amount of these bonds issues was two billion renminbi (€254 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.

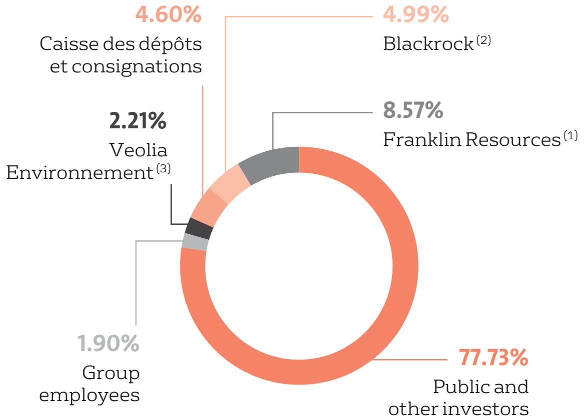
As of December 31, 2018, the total outstanding amount of commercial paper issued by the Company was €3,250 million.

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

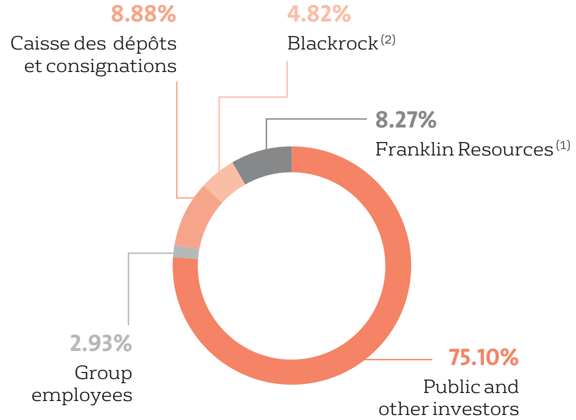
2.2 Veolia Environnement shareholders AFR

2.2.1 BREAKDOWN OF SHAREHOLDERS AS OF DECEMBER 31, 2018

Breakdown of shareholders (number of shares)



Breakdown of shareholders (voting rights available for exercise)



(1) According to the notification by Franklin Resources Inc. to the Company on December 19, 2018 that it had a crossed a bylaws reporting threshold.

(2) According to the most recent declaration of threshold crossing by Blackrock filed on December 24, 2018 (AMF Decision and Information no. 218C1298 dated December 27, 2018).

(3) 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, 2018 by Veolia Environnement's principal known shareholders, and changes in the Company's principal shareholders (holding more than 4% of the Company's share capital, directly or indirectly), during the last three years(1).

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

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

	Position as of December 31, 2018					Position as of December 31, 2017			Position as of December 31, 2016		
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]	48,457,878	8.57	48,457,878	48,457,878	8.27	28,282,109	5.02	4.85	-	-	-
Blackrock[2]	28,234,644	4.99	28,234,644	28,234,644	4.82	-	-	-	-	-	-
QD For Investment in Shares (QDFIS)**	-	-	-	-	-	26,107,208	4.63	4.48	26,107,208	4.63	4.30
Caisse des Dépôts[3]	26,036,119[4]	4.60	52,072,238	52,072,238	8.88	26,036,119	4.62	8.94	26,036,119	4.62	8.58
Groupe industriel Marcel Dassault – GIMD[5]	ND	ND	ND	ND	ND	ND	ND	ND	25,788,732	4.58	8.50
Veolia Environnement[6]	12,510,389	2.21	12,510,389	0***	0***	13,704,835	2.43	0***	15,064,835	2.67	0
Public and other investors	450,354,311	79.63	457,355,503	457,355,503	78.03	469,234,552	83.30	81.73	470,367,929	83.50	78.62
TOTAL	565,593,341	100%	598,630,652	586,120,263	100%	563,364,823	100%	100%	563,364,823	100%	100%

* *The percentage voting rights that may be exercised is identical to theoretical percentage voting rights.*

** *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).*

*** *As of December 31, 2018, Veolia Environnement held 12,510,389 treasury shares.*

ND:Not Determined

(1) *According to the notification to the Company on December 19, 2018 that it had a crossed a bylaws reporting threshold. To the best of the Company's knowledge, the most recent declaration of threshold crossing by Franklin Resources was filed on February 13, 2018 (AMF Decision and Information no. 218C0439 dated February 16, 2018).*

(2) *According to the most recent declaration of threshold crossing by Blackrock filed on December 24, 2018 (AMF Decision and Information no. 218C1298 dated December 27, 2018). Between February 26, 2018 and December 27, 2018, Blackrock filed several declarations that it had crossed, upwards or downwards, the legal 5% share capital and/or voting rights threshold (see AMF Decisions and Information no. 218C0473, no. 218C0483, no. 218C0515, no. 218C0604, no. 218C0620, no. 218C0799, no. 218C0807, no. 218C0849, no. 218C0851, no. 218C0861, no. 218C0868, no. 218C0875, no. 218C0978, no. 218C0986, no. 218C1210, no. 218C1228, no. 218C1298, no. 218C1374, no. 218C1384, no. 218C1400, no. 218C1425, no. 218C1445, no. 218C1455, no. 218C1478, no. 218C1528, no. 218C1605, no. 218C1805, no. 218C1817, no. 218C1822, no. 218C1845, no. 218C1852, no. 218C2061).*

(3) *According to the statement of registered shareholders as of December 31, 2018 prepared by Société Générale and the analysis of the Company's shareholders as of December 31, 2018. To the best of the Company's knowledge, the most recent declaration of threshold crossing by Caisse des dépôts et consignations was filed on September 23, 2016 (AMF Decision and Information no. 216C2179 of September 26, 2016).*

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

(5) *Groupe Industriel Marcel Dassault changed its entire shareholding from registered to bearer form on March 1, 2017.*

(6) *Treasury shares without voting rights. This information is included in the monthly report of transactions carried out by Veolia Environnement in its own shares that was filed with the French Financial Markets Authority (AMF) on January 8, 2019.*

To the best of the Company's knowledge, there are no other agreements between one or more of the Company's shareholders or any provision in a shareholders' agreement or agreement to which the Company is a party that could have a material impact on the Company's share price, and there are no shareholders' agreements or other agreements of such nature to which any significant non-listed subsidiary of the Company is a party, other than the call options entered into with EDF, described in Chapter 4, Section 4.1 (Note 3.4.1 to the consolidated financial statements) and Chapter 8, Section 8.3.

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

(1) *Figures are taken from the 2018, 2017 and 2016 fiscal years.*

2.3 Dividend policy

2.3.1 DIVIDENDS PAID DURING THE PAST FIVE FISCAL YEARS

(in €)	2013 Dividend	2014 Dividend	2015 Dividend	2016 Dividend	2017 Dividend
Gross dividend per share	0.70	0.70	0.73	0.80	0.84
Net dividend per share	0.70*	0.70*	0.73*	0.80*	0.84*
TOTAL DIVIDEND DISTRIBUTION(1)	374,246,447	383,952,678	401,183,799	439,772,185	462,685,249

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

A dividend payment of €0.84 per share for each of the Company's outstanding shares carrying dividend rights as of January 1, 2018 was approved by the Combined General Meeting of April 19, 2018. The ex-dividend date was set at May 14, 2018 and the dividend was paid from May 16, 2018. As of December 31, 2017, the share capital comprised 563,364,823 shares, including 13,704,835 treasury shares. The total dividend distribution was adjusted to take account of the number of treasury shares held by Veolia Environnement at the payment date.

A dividend of €0.92 per share for 2018, payable in cash, will be proposed to the Combined General Meeting of April 18, 2019. The ex-dividend date has been set at May 14, 2019 and the 2018 dividend will be paid from May 16, 2019.

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

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

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

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

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

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

2.3.2 DIVIDEND POLICY

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

2.3.3 PERIOD DURING WHICH DIVIDEND PAYMENTS MUST BE CLAIMED

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

3

OPERATING AND FINANCIAL REVIEW AFR

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

3.1 Major events of the period

3.1.1 GENERAL CONTEXT

The Group's performance in the year ended December 31, 2018 was marked by continued revenue and EBITDA growth throughout the quarters.

Revenue, up +6.5% at constant exchange rates in 2018, therefore increased by 6.4% in the fourth quarter, after growing +7.8% in the third quarter, +5.1% in the second quarter and 7.0% in the first quarter.

Similarly EBITDA, up +7.3% at constant exchange rates, grew +8.4% at constant exchange rates in the fourth quarter, after +9.4% in the third quarter, +6.4% in the second quarter and +5.3% in the first quarter.

Momentum remained strong in the fourth quarter, despite a slowdown in Construction activity.

- excellent Waste volumes: +3.6% in 2018 (+3.3% in the second half);
- stabilization of the negative impact of declining prices on recycled paper;
- broadly neutral weather impact in the fourth quarter;
- very strong outside of France, particularly in the Rest of the world;
- Global Business: strong increase in hazardous waste, decrease in construction activity (-5%).

In the fourth quarter, EBITDA growth was fueled by higher revenue and efficiency gains.

- contribution of efficiency gains: €74 million in the fourth quarter, after €80 million in the third quarter, €78 million in the second quarter and €70 million in the first quarter, which means a global contribution of €302 million in 2018.

Over the whole year, these items produced solid growth in results which are above expectation:

- revenue up +6.5% at constant exchange rates (€25,911 million) and +4.7% at constant scope and exchange rates;
- EBITDA growth of +7.3%[(1)] (€3,392 million);
- current EBIT up +9.7%[(1)] to €1,604.0 million;
- current net income attributable to owners of the Company of €675 million, up +13.3%[(1)] and +14.7%[(1)] excluding net capital gains or losses on financial divestitures;
- net income income attributable to owners of €439.3 million, up +15.5%[(1)];
- net industrial investments of €1,752 million (including €309 million of discretionary capex versus €209 million in 2017);
- net financial debt of €9,749 million (including redemption of the hybrid debt in April 2018 in the amount of €1,452 million) with a leverage ratio (Net Debt/EBITDA) of 2.87 (versus 2.43 in December 2017).

3.1.2 CHANGES IN GROUP STRUCTURE

Commercial developments

The strong commercial momentum enjoyed by the Group in 2017 continued, with Veolia signing several major contracts in 2018.

In the industrial market, the Group notably won, in the United States, contracts for multi-services in Energy (O&M of plant at a Dow Du Pont site in Virginia) and energy services (Oklahoma City Convention Center). In France, the Group was selected to renovate and operate energy installations at the Arcelor Mittal site in Fos-sur-Mer (€450 million contract over 20 years). In addition, EDF and Veolia entered into a partnership agreement to co-develop remote control solutions for dismantling natural uranium graphite gas reactors and for vitrifying radioactive waste, in France and worldwide. The Group also entered into an innovative partnership with Tetrapak to enable all components of used food cartons to be recycled by 2025, and signed a sustainable packaging agreement with Unilever to improve waste collection and recycling infrastructure and help create a circular economy for plastic.

In the municipal market, Veolia - in France - renewed its public service delegation contract to operate the Rouen waste-to-energy plant through its subsidiary SNVE (6.5-year contract representing cumulative revenue of €116 million) and won the delegated public service concession for wastewater treatment and rainwater management with the City of Bordeaux through its subsidiary

(1) *At constant exchange rate.*

Veolia Eau France (€352 million contract over 7 years). In Nantes, the Group renewed its concession agreement for the Couëron waste processing and recovery plant through its subsidiary Veolia Recyclage et Valorisation des déchets (€332 million contract over 15 years), while in Paris, it renewed its household waste collection contract for the 11th and 19th districts, accompanying the French capital in its "zero waste" strategy. Outside France, the Dhaka Water Supply and Sewerage Authority (WASA), the authority in charge of drinking water and wastewater management for the Bangladeshi capital, chose Veolia and Suez, to design, build and operate the Gandharbpur drinking water treatment plant. In Australia, Veolia Australia & New Zealand was selected to operate and maintain the country's first Energy Recovery facility, expected to generate approximately 40 MW of clean energy (AUD 450 million contract over 25 years).

A detailed description of the main contracts won in 2018 can be found in Chapter 1, Section 1.4.3 of the 2018 Registration Document.

Acquisitions

Acquisition of Grupo Sala (Colombia)

On May 15, 2018, Veolia Holding America Latina acquired Grupo Sala in Colombia, a group of companies specializing in Waste and Water businesses in Bogota (Colombia), for a financial investment(1) of €168 million.

Acquisition of PPC group (Slovakia)

On July 31, 2018, Veolia Energia Slovensko AS acquired the entire share capital of the PPC group, which operates two cogeneration plants in Bratislava, for a financial investment(1) of €135 million.

Acquisition of groupe HCI (Belgium)

On September 4, 2018, Veolia NV SA purchased the entire share capital of the HCI group of companies specializing in industrial cleaning at the port of Antwerp, for an amount of €43 million.

Divestitures

Industrial Services in the United States

On January 19, 2018, Veolia ES North America signed a sales agreement with Clean Harbors for its industrial cleaning business. The sale was completed on February 23, 2018 for a consideration of US$120 million.

ScVK (Czech Republic)

In the field of contractual modifications and signature of a new contract with Northern Bohemia up to 2035, Veolia Central Europe sold its investment in Severoceske Vodovody a Kanalizace AS to the City of Teplice (Northern Bohemia). The sale was completed on December 18, 2018 for a consideration of €75 million.

Other transactions With Non-Controlling Interests

Buyout of minority interests in the Czech Republic

On April 26, 2018, Veolia Énergie International acquired a 10% stake in Veolia Énergie Ceska Republika a.s., from DCR Investment a.s. for a consideration of €85 million. This acquisition increases Veolia Énergie International SA's stake in Veolia Énergie Ceska Republika a.s. from 73% to 83%.

PVK (Czech Republic)

Veolia Central Eastern Europe sold 49% of its investment in Prazske Vodovody a Kanalizace AS (company running the water facilities of Prague City) to the City of Prague, and retains control of 51% of the share capital following the transaction. The sale was completed on September 20, 2018 for a consideration of €69 million.

BVAG (Germany)

On September 26, 2018, the Group, through its subsidiary, Veolia Stadtwerke BS Beteiligung, signed an agreement for the sale of 25% of its investment in BVAG to Thüga Investor. Following this transaction - completed for a consideration of €146 million - the Group retained control of 51% of the share capital of BVAG.

3.1.3 GROUP FINANCING

Redemption of the deeply subordinated perpetual securities

On April 16, 2018, Veolia Environnement redeemed its deeply subordinated perpetual securities (hybrid debt) denominated in euros and pound sterling, issued on January 23, 2013, in the nominal amount of €1 billion and GBP 400 million, respectively (*i.e.* €1,452 million).

Panda Bond Issue

On August 9, 2018, Veolia Environnement successfully issued a bond for a nominal amount of 1 billion renminbi (€127 million) on the Chinese domestic market (Panda Bond). This bond issue was performed *via* a private placement, and bears interest of 4% 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 show that Veolia's signature is viewed very favorably and demonstrated investor confidence in the Group's development in China.

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

Changes in bonds outstanding

On May 28, 2018, Veolia Environnement repaid a euro-denominated bond line with a nominal value of €472 million.

On December 5, 2018, Veolia successfully performed at par a €750 million bond issue maturing in January 2030 (*i.e.* 11 years and one month) and bearing a coupon of 1.94%. The bonds were placed with a large investor base covering both Europe and Asia. The proceeds of this issue will be used for general corporate purposes, and to partially refinance upcoming debt maturities.

Confirmation of the credit outlook

In October 2018, Moodys confirmed Veolia Environnement's credit rating at P-2/Baa1 with a stable outlook.

At the end of January 2019, S&P confirmed its rating at A-2/BBB with a stable outlook.

Dividend payment

The Combined General Meeting of April 19, 2018 set the dividend for fiscal year 2017 at €0.84 per share, an increase of +5% on 2016. This dividend was paid in cash on May 16, 2018 in the total amount of €463 million.

3.1.4 ASSOCIATING EMPLOYEES WITH THE GROUP'S PERFORMANCE

At the Veolia Environnement Combined General Meeting, 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 29 countries, open to approximately one hundred and fourteen thousand Group employees. The overall subscription rate exceeded 33%, resulting in a €34 million share capital increase.

In addition, in accordance with the Group's compensation policy and the authorization granted by the Veolia Environnement Extraordinary General Meeting of April 19, 2018, the Board of Directors decided to grant 0.31% of the Veolia Environnement SA share capital to 700 top executives and high potential employees of the Group. The number of shares that will vest in 2021 will depend on the presence of the beneficiary in the Group at the vesting date and the average increase over three years in current net income attributable to owners of the Company per share, as reported in the Group's consolidated financial statements during the reference period for fiscal years 2018, 2019 and 2020 compared with the 2017 base year.

The Chairman and Chief Executive Officer also decided to grant a solidarity and purchasing power bonus to 10,000 employees in France. This bonus represents a total cost of €5 million and is in addition to the measures that will be adopted during the 2019 annual compensation negotiations.

Finally, employees are involved daily in efforts to transform and develop the Group. To ensure they continue to have a vested interest in the Group's growth, Veolia Environnement granted five free shares to each Group employee in November 2018. Overall, nearly 250,000 new shares were granted to approximately 50,000 employees. These shares will vest on May 2, 2019, subject to the presence of beneficiaries in the Group at this date.

3.1.5 CHANGES IN GOVERNANCE

Changes in the Executive Committee

On July 23, 2018, the Group announced the appointment of Mrs. Estelle Brachlianoff as Chief Operating Officer and Mr. Claude Laruelle as Chief Financial Officer, effective September 1, 2018 and October 1, 2018, respectively. Additionally, Mr. Jean François Nogrette, appointed Senior Executive Vice President for Global enterprises, will join the Executive Committee starting October 1, 2018.

Changes in the Board of Directors

During its meeting on November 6, 2018, the Veolia Environnement Board of Directors took due note that the terms of office of the Directors representing employees expired on October 14, 2018 and that following elections by the Europe and France Works Councils, Pavel Pasa was reelected by the Europe Works Council for a further period of four years and Franck Le Roux was elected by the France Works Council for the same period.

At the recommendation of the Compensation Committee, the Board of Directors decided to appoint:

- Franck Le Roux to the Audit and Accounts Committee and the Compensation Committee;
- Isabelle Courville to the Compensation Committee to replace Mr. Paolo Scaroni, who will soon have sat on the Board for more than 12 years and as such will no longer be considered an Independent Director.

3.2 Accounting and financial information

3.2.1 PREFACE

Gabon

Veolia Africa, through its 51% subsidiary, SEEG, managed the production and distribution of drinking water and electricity throughout all Gabon under the terms of a concession agreement signed in 1997 and extended for five years in March 2017.

On February 16, 2018, the Gabonese Republic unilaterally terminated the concession agreement signed with the Group's subsidiary, SEEG – Société d'énergie et d'eau du Gabon, (Gabon Energy and Water Company), alleging several different reasons including that of the general interest. The same day, through Ministerial order, all material and human resources were seized by the Gabonese Republic. A further Ministerial order also appointed an executive body to implement termination and seizure measures.

On March 8, 2018, pursuant to the concession agreement, SEEG submitted a request for conciliation to the International Centre for Settlement of Investment Disputes ("ICSID") in an attempt to reach an amicable settlement and to be compensated for the damage suffered as a result of the unlawful measures taken by Gabon.

At the end of the conciliation period, the parties were unable to find an amicable solution. SEEG and Veolia Africa therefore launched arbitration proceedings before the ICSID on September 20, 2018 and an arbitration court was formed on January 18, 2019.

Since March 31, 2018, the cessation of activities in Gabon has led the Group to classify SEEG in net income from discontinued operations in accordance with IFRS 5. The financial statements for the year ended December 31, 2017 were re-presented accordingly to ensure comparability, following the reclassification of the Group's activities in Gabon in "Net income from discontinued operations" in accordance with IFRS 5.

Changes in accounting standards

Standards, standard amendments and interpretations applicable from fiscal year 2018

With effect from January 1, 2018, the Group applies IFRS 9, the new financial instruments standard, which replaces IAS 39. The new standard provides for the retroactive application of the classification and measurement rules applicable to financial assets and liabilities and, in particular for the Group, new impairment methodologies for trade receivables and an adjustment to the amortized cost of renegotiated bond issues (see Note 1.2.2 to the 2018 consolidated financial statements). The impact in the income statement on EBITDA and current EBIT of the restatements resulting from the first-time application of this standard were not material.

The application as of January 1, 2018 of IFRS 15 does not have a significant impact on the Group's financial statements as of December 31, 2018 (see Note 1.2.2 New standards and interpretations to the consolidated financial statements).

Texts which enter into mandatory effect after December 31, 2018 and not adopted early by the Group: IFRS 16, Leases

The new leases standard (IFRS 16) published on January 13, 2016, requires the recognition in the balance sheet of all lease commitments as defined in the new standard and does not distinguish between operating leases, currently disclosed in off-balance sheet commitments, and finance leases.

The first-time application of this standard will impact the Group balance sheet as follows:

- increase in non-current assets (recognition of a right-of-use asset);
- recognition of a lease liability (equal to the present value of future lease payments);
- adjustment to deferred tax and shareholders' equity;

due to the recognition for the first time of commitments in respect of operating leases currently within the Group.

In preparation of the first-time application of this standard, the Group set-up a dedicated team responsible for steering and coordinating all departments involved in implementing this standard (finance, operations, purchasing, legal, real estate). The identification and analysis of the leases concerned (around 40,000 contracts) and work on improving the reliability of data is being finalized. The Group has also finalized its choice of the IT solution necessary to process this data and quantify the impact of all Group leases.

Analyses have focused particularly on the lease terms to be adopted depending on the nature of the lease, existing options within contractual agreements and the implementation of an interest rate methodology enabling the requirements of the new standard to be satisfied.

Implementation work was finalized in the second-half of the year. This standard will be applicable to fiscal years beginning on or after January 1, 2019 and will be applied retrospectively.

Based on analyses and work performed, the first-time application of this standard will induce:

- (i) increase Group borrowings between €1.6 and €1.8 billion;
- (ii) positive impact on EBITDA of around €0.4 billion;
- (iii) a slight positive impact on the leverage (Net debt/EBITDA) ratio;
- (iv) a diluted impact on ROCE after tax because of increased capital employed.

3.2.2 KEY FIGURES

(in € million)	Year ended December 31, 2017 published	Year ended December 31, 2017 re-presented	Year ended December 31, 2018	Change 2017/2018 Δ	Change 2017/2018 Δ at constant exchange rates
Revenue	**25,124.6**	**24,818.4**	**25,911.1**	**4.4%**	**6.5%**
EBITDA	**3,284.1**	**3,217.1**	**3,392.0**	**5.4%**	**7.3%**
EBITDA margin	13.1%	13.0%	13.1%		
Current EBIT(1)	**1,519.4**	**1,497.3**	**1,604.0**	**7.1%**	**9.7%**
Current net income – Group share	**622.6**	**613.6**	**674.9**	**10.0%**	**13.3%**
Current net income – Group share, excluding capital gains and losses on financial divestitures net of tax	616.1	607.1	678.6	11.8%	14.7%
Net income (loss) – Group share	**401.6**	**397.7**	**439.3**	**10.5%**	**15.5%**
Industrial investments (gross)	1,738.0	1,738.0	1,810.7		
Net free cash flow(2)	655.0	618.7	567.8		
Net financial debt	**(7,841.0)**	**(7,833.2)**	**(9,748.9)**		

(1) Including the share of current net income of joint ventures and associates viewed as core Company activities.
(2) The indicators are defined in Section 3.10.3 below.

The main foreign exchange impacts were as follows:

FX impacts for the year ended December 31, 2018 (vs Year ended December 31, 2017 re-presented)	%	*(in € million)*
Revenue	-2.1%	(530)
EBITDA	-1.9%	(60)
Current EBIT	-2.5%	(38)
Current net income	-3.0%	(20)
Net financial debt	1.1%	86

Group consolidated revenue

Group consolidated revenue for the year ended December 31, 2018 was €25,911.1 million, compared with re-presented €24,818.4 million for the same period in 2017, **up +6.5% at constant exchange rate and organic growth of +4.7%**. Excluding Construction(1) revenue and energy price effects, revenue improved by +5.4% (+6.4% in the fourth quarter +5.1% in the third quarter, +5.3% in the second quarter and +4.6% in the first quarter).

As in the first three quarters of 2018, fourth-quarter revenue growth was marked by strong momentum in all geographic segments:

Change at constant exchange rates	Q1 2018	Q2 2018	Q3 2018	Q4 2018
France	0.6%	-1.1%	2.6%	4.1%
Europe, excluding France	6.9%	6.7%	7.4%	7.9%
Rest of the world	14.7%	13.2%	10.7%	9.4%
Global businesses	3.5%	-0.6%	11.4%	1.6%
GROUP	7.0%	5.1%	7.8%	6.4%

Revenue growth remained strong in the fourth quarter at +6.4% at constant exchange rates and Momentum is still highly favorable. Growth accelerated in France driven by excellent waste volumes and the impact of stabilized declining recyclate prices. It remained robust outside France and particularly in the Rest of the world segment (notably Asia with a growth rate of +14.2%). The good fourth-quarter performance in the Global businesses segment was due to the marked increase in hazardous waste and stable Construction activities.

(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.

By segment, the change in revenue compared with re-presented figures for the year ended December 31, 2017 breaks down as follows:

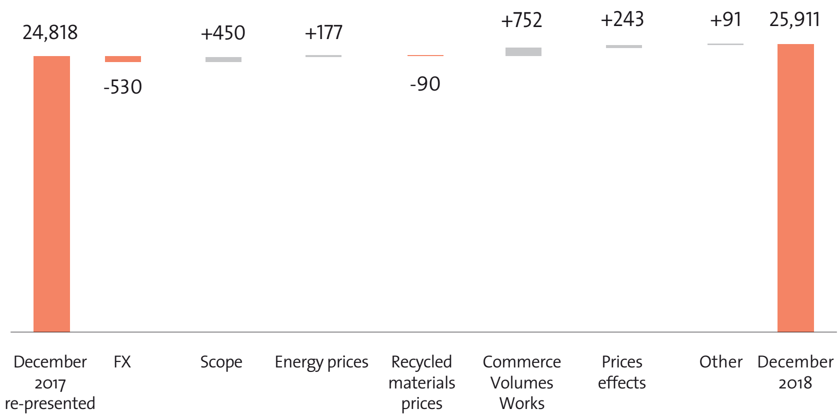
(in € million)	Year ended December 31, 2017 re-presented	Year ended December 31, 2018	Change 2017/2018 Δ	Δ at constant exchange rates	Δ at constant scope and exchange rates
France	5,414.5	5,499.3	1.6%	1.6%	1.3%
Europe, excluding France	8,504.4	9,096.0	7.0%	7.2%	3.6%
Rest of the world	6,312.4	6,619.7	4.9%	11.9%	10.9%
Global businesses	4,558.3	4,665.5	2.4%	3.7%	2.3%
Other	28.8	30.6	6.3%	6.6%	6.6%
GROUP	24,818.4	25,911.1	4.4%	6.5%	4.7%

- Revenue increased +1.3% in **France** at constant scope compared with re-presented figures for the year ended December 31, 2017; Water revenue slipped -0.1%, while Waste revenue increased +3.6% at constant scope.
  - Water revenue fell -0.1% compared with re-presented figures for the year end December 31, 2017, due to a -0.7% fall in volumes (+1.0% in 2017). These decreases were partially offset by higher price indexation (+0.7% in 2018 compared with +0.2% in 2017);
  - Waste revenue increased +3.6% at constant scope compared with re-presented figures for the year ended December 31, 2017: lower recycled paper prices (-€60 million) were offset by higher volumes and commercial momentum (+5%).
- **Europe excluding France** grew +7.2% at constant exchange rates compared with re-presented figures for the year ended December 31, 2017, with solid momentum in the majority of regions:
  - in the United Kingdom/Ireland zone, revenue increased +4.1% at constant exchange rates to €2,192.6 million, thanks to very good PFI availability (95% compared with 93% in 2017), higher electricity tariffs, industrial service contract wins and increased landfill volumes (temporary shutdown of a competitor's incinerator). Further excellent commercial collection results and the good performance of industrial client activities also contributed to this improvement, offsetting the fall in recycled paper prices;
  - in Central and Eastern Europe, revenue increased +7.8% at constant exchange rates compared with re-presented figures for the year ended December 31, 2017 to €3,132.4 million. The unfavorable weather impact (-€36 million) was more than offset by:
    - in Energy: higher volumes (+€43 million) and tariffs (+€54 million),
    - in Water: an increase in invoiced water volumes (+1.1%, *i.e.* +€13 million), higher tariffs in most countries of the zone (impact of +€28 million) and increasing Construction activities in Romania and Hungary,
    - in Waste: the contribution of 2017 acquisitions (plastic recycling in Hungary and industrial waste collection in the Czech Republic);
  - in Northern Europe, revenue increased +9.7% at constant exchange rates compared with the re-presented prior year period to €2,718.0 million. This strong growth was mainly driven by 2017 acquisitions in Nordic countries and the Netherlands. Germany, the main contributor (€1,858.3 million) reported revenue growth of +3.5%: Waste activities were penalized by lower recyclate volumes and prices, offsetting the favorable impact of 2017 acquisitions, while in Energy, higher tariffs partially offset the fall in volumes sold.
- Strong growth in the **Rest of the world** of 11.9% at constant exchange rates compared with re-presented figures for the year ended December 31, 2017:
  - revenue rose +12.0% at constant scope and exchange rates to €2,035.8 million in North America, *i.e.* an increase of +3.9% at constant exchange rates. This was mainly due, in Energy, to strong growth (+28% at constant exchange rates tied to price and volume increases following cold weather at the beginning of the year), commercial wins (including the new energy efficiency contract with Dow Dupont in the United States) and in Waste (+6.2% at constant exchange rates excluding the sale of Industrial Services Activities) to higher volumes in hazardous waste and in Water (+7.4% at constant exchange rates) to commercial wins in Industrial Water;
  - strong revenue growth in Latin America (+38.2% at constant exchange rates) to €795.3 million, thanks in part to tariff increases, commercial developments in Ecuador, Chile and Brazil and the integration from May 2018 of Grupo Sala's activities in Colombia;
  - revenue in Asia increased by +16.9% at constant exchange rates to €1,789.8 million. Strong revenue growth in China (+13.3%) was driven by developments in Waste, with the start-up of new hazardous waste assets (Changsha and Cangzhou hazardous waste incinerators) and the signature of new industrial contracts in Water and Energy (Harbin heating network). The rest of the zone was driven by strong commercial dynamism: start of operations at the Hamamatsu concession, development of EPC activities in Japan, and energy activity in Korea;
  - the Pacific zone recorded +5.4% revenue growth at constant exchange rates year-on-year (re-presented figures), due to the combined impact of higher industrial water volumes (+4.2%), the start-up of new assets in industrial services and targeted tuck-ins from 2017;

- in Africa/Middle East, revenue increased +7.8% at constant exchange rates, with increased Construction activities and favorable volumes in Morocco and strong commercial development in the Middle East (energy services in the tertiary sector).

- **Global businesses:** revenue increased +3.7% at constant exchange rates versus the re-presented prior-year period:
  - hazardous waste activities increased by +10.4% at constant exchange rates, thanks to higher volumes processed (tied in part to Greater Paris construction work) and growth in oil recycling activities;
  - Veolia Water Technologies activities slowed in the fourth quarter and are down -6.8% at constant exchange rates on 2017. Veolia Water Technologies bookings fell -4.7% year-on-year to €1,876 million in 2018, as Veolia Water Technologies adopted a more selective approach to accepting projects. Sade reported a +4.5% increase at constant exchange rates, with good performance in France in Construction and Telecoms (renewal and extension of the portfolio) and current measures to refocus its international activities.

The increase in revenue between 2017 and 2018 breaks down **by main impact** as follows:



The **foreign exchange impact** totaled -€530 million (-2.1% of revenue) and mainly reflects fluctuations in the Argentine peso (-€180 million), the US dollar (-€104 million), the Australian dollar (-€75 million), the Brazilian real (-€27 million) and the pound sterling (-€21 million).

The **consolidation scope impact** of €450 million mainly reflects:

- developments in 2017: integration of Corvara industrial assets and Hans Andersson in Scandinavia (+€135 million) and the recycling and plastic waste businesses of Van Scherpenzeel Grope B.V. in the Netherlands (+€43 million), as well as the acquisition of Eurologistik (+€25 million) and Multipet/Multiport plastic recycling activities (+€45 million) in Germany and of Hanbul (+27 million) in Korea;
- 2018 transactions: sale of the Industrial Services Division in the United States (-€169 million), acquisition of Grupo Sala in Colombia (+€87 million) and acquisition of the PPC group in Slovakia (+€22 million).

Energy and recyclate prices had an impact of +€87 million, with notably an increase in energy prices of +€177 million (primarily in the United States, Northern Europe and Central and Eastern Europe), offset by a drop in recyclate prices (-€90 million, including -€117 million for paper).

Commercial momentum improved significantly (**Commerce/ Volumes** impact) to +€752 million, with in particular:

- volumes up +€363 million, in line with strong growth in waste volumes (Waste in France, the United Kingdom, Latin America, Asia and notably in hazardous waste in Asia) and in multi-industrial activities (Arcelor contract). In Water, lower France volumes (-0.7%) were offset by growth in Central Europe (+1.1%);
- a commercial effect of +€309 million, due to numerous contract wins in Europe (start-up of new Waste and Energy assets), as well as in Latin America (contract wins in Water in Argentina and Colombia and in Waste in Chile and Brazil) and in Asia;
- construction activities contributed +€108 million, growth mostly in Northern Europe, Asia and Africa Middle-East, but higher selectivity at Veolia Water Technology (towards less construction and more technology/service);
- weather impact in Energy of -€28 million (unfavorable impact in Central Europe from the second quarter, partially offset by a positive weather impact in Northern America in the first quarter).

Favorable **price effects** (+€243 million) are tied to positive tariff indexation in France and the United Kingdom in Waste, in Central Europe in Water, in North America in Water and hazardous waste and in Morocco in electricity, as well as the impact of higher prices in Asia and Latin America (Argentina).

EBITDA

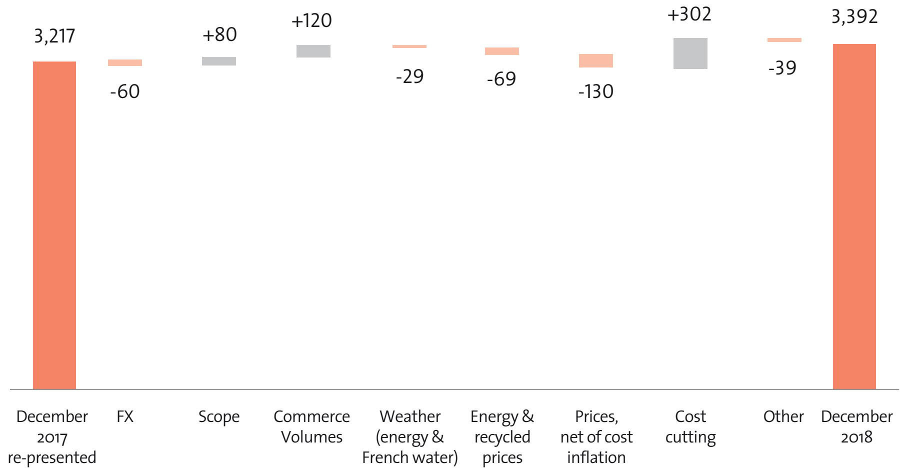
Group consolidated EBITDA for the year ended December 31, 2018 was €3,392.0 million, up +7.3% at constant exchange rates compared with re-presented figures for the prior year. The EBITDA margin increased from 13.0% in December 2017 (re-presented) to 13.1% in the same period to December, 2018.

By segment, EBITDA compared with re-presented figures for the year ended December 31, 2017 breaks down as follows:

			2017/2018 change	
(in € million)	Year ended December 31, 2017 re-presented	Year ended December 31, 2018	Δ	Δ at constant exchange rates
France	788.3	802.0	1.7%	1.7%
EBITDA margin	*14.6%*	*14.6%*		
Europe, excluding France	1,300.4	1,354.1	4.1%	3.9%
EBITDA margin	*15.3%*	*14.9%*		
Rest of the world	875.9	952.6	8.8%	15.3%
EBITDA margin	*13.9%*	*14.4%*		
Global businesses	259.8	272.6	5.0%	6.8%
EBITDA margin	*5.7%*	*5.8%*		
Other	(7.3)	10.7		
GROUP	3,217.1	3,392.0	5.4%	7.3%
EBITDA margin	13.0%	13.1%		

- **In France,** EBITDA improved +1.7%:
  - in Water, increase + 4.8% with increased cost savings impacted positively on EBITDA that offset the negative impact of lower volumes (-€13 million) and more moderate price squeeze with better tariff indexation;
  - in Waste, fall in EBITDA mainly due to lower recycled paper prices (impact of -€13 million, stabilized in the fourth quarter) and higher diesel prices (-€16 million). This decrease is partially offset by increasing volumes in treatment activity.
- Improvement in EBITDA in **Europe excluding France** (+3.9% at constant exchange rates) as the result of several impacts:
  - in Central and Eastern Europe, EBITDA decreased due to higher fuel costs, a price squeeze in Energy in the Czech Republic and Poland (-€22 million) and an unfavorable weather effect (-€16 million); this decrease was partially offset by the positive impact of higher Water tariffs in Bulgaria, the Czech Republic and Romania and operating efficiency gains;
  - solid growth in EBITDA in the United Kingdom, with excellent availability of incineration plants and efficiency gains; lower recycled paper prices were offset by higher ferrous metal prices;
  - increased EBITDA in Northern Europe, due to scope transactions performed in 2017 in Scandinavia, the Netherlands and Germany, and further operating efficiency gains.
- Continued strong EBITDA growth in the **Rest of the world:**
  - improvement in the United States, mainly due to favorable price and volume effects in Energy (weather impact in the first quarter and higher electricity prices);
  - higher EBITDA in Latin America, notably due to good performance in Waste in Brazil and Argentina and in Colombia good momentum in Water and impact of Grupo Sala acquisition;
  - sustained EBITDA growth in Asia, driven by China (+18%), thanks to strong growth in hazardous waste (Cangzhou and Changsha), Japan (new Hamamatsu contract) and Taiwan.
- In the **Global businesses** segment, very good hazardous waste performance, but fall in Veolia Water Technologies' EBITDA in line with the progressive restructuring of its business.

The increase in EBITDA between 2017 and 2018 breaks down **by impact** as follows:



The **foreign exchange impact** on EBITDA was -€60 million and mainly reflects fluctuations in the Argentine peso (-€21 million), the US dollar (-€12 million), the Australian dollar (-€8 million), the Brazilian real (-€7 million), the Chinese renminbi (-€5 million) and the pound sterling (-€3 million).

The **consolidation scope impact** of +€80 million partially relates to developments in 2017 and notably the integration of Corvara industrial assets and Hans Andersson recycling assets in Scandinavia and the acquisition of Eurologistik and Multipet/Multiport in Germany and the Van Scherpenzeel Grope B.V. group in the Netherlands, as well as the acquisition in 2018 of Grupo Sala in Colombia and the PPC group in Slovakia.

Commerce and volume impacts totaled +€120 million, thanks to organic revenue growth boosted by strong commercial development and higher volumes, notably in Waste.

The **Weather** impact on EBITDA was -€29 million, with the impact of an extremely mild second quarter in Central Europe and significant rain in Spring only partially offset in France and Central Europe in the third and fourth quarters.

Energy and recyclate prices had a negative impact on EBITDA (-€69 million), due to a price squeeze tied to higher fuel costs in Energy (-€27 million), higher diesel costs in Waste (-€26 million) and the negative impact of recyclate prices (-€16 million, including -€20 million for paper, partially offset by other recyclates).

The **price squeeze** impact of -€130 million mainly relates to weak price indexation in Water and Waste, which only partially covers pressure on wage increases and other costs.

Cost savings plans contributed €302 million. These savings mainly concern operating efficiency (52%) and purchasing (32%) and were achieved across all geographical zones: France (37%), Europe excluding France (26%), Rest of the world (24%), and Global businesses (13%). The €300 million objective for 2018 was exceeded.

Costs savings

EBITDA impact *(in € million)*	2016-2018 cumulative objective	2018 objective	Actual 2018	Actual 2017	Actual 2016	2016-2018 Total
Gross cost savings	800	>300	302	255	245	802

Current EBIT

Group consolidated current EBIT for the year ended December 31, 2018 was €1,604.0 million, up +9.7% at constant exchange rates on the year ended December 31, 2017 re-presented.

EBITDA reconciles with current EBIT for the year ended December 31, 2018 and 2017 as follows:

(in € million)	Year ended December 31, 2017 re-presented	Year ended December 31, 2018
EBITDA	3,217.1	3,392.0
Renewal expenses	(272.4)	(279.8)
Depreciation and amortization*	(1,664.8)	(1,704.2)
Provisions, fair value adjustments & other:	119.1	80.2
• Current impairment of property, plant and equipment, intangible assets and operating financial assets	(1.4)	0.6
• Net charges to operating provisions, fair value adjustments and other	110.6	68.7
• Capital gains or losses on industrial divestitures	9.9	10.9
Share of current net income of joint ventures and associates	98.4	115.9
Current EBIT	1,497.3	1,604.0

* *Including principal payments on current operating financial assets (OFA) of -€135.1 million for the year ended December 31, 2018 (compared with re-presented -€147.7 million for the year ended December 31, 2017).*

The improvement in current EBIT at constant exchange rates reflects:

- EBITDA growth;
- depreciation and amortization of €1,569 million, up +4.9% at constant exchange rates, mainly due to small acquisitions performed;
- the decline in principal payments on operating financial assets in 2018 (from -€148 million to -€135 million) mainly relating to contract changes in China and South Korea;
- the unfavorable change in provisions and fair value adjustments compared to 2017;
- an improvement in the contribution of equity-accounted entities in Asia (China +19% at constant exchange rates) and the United States (positive capital gain of €16 million).

The foreign exchange impact on current EBIT was -€38 million and mainly reflects fluctuations in the Argentine peso (-€15 million), the US dollar (-€6 million), the Brazilian real (-€5 million), the Chinese renminbi (-€5 million), the Australian dollar (-€4 million) and the pound sterling (-€2 million), partially offset by favorable fluctuations in the Czech crown (+€5 million).

(in € million)	Year ended December 31, 2017 re-presented	Year ended December 31, 2018	2017/2018 change	
			Δ	Δ at constant exchange rates
France	152.4	115.1	-24.5%	-24.5%
Europe, excluding France	697	726.9	4.3%	3.9%
Rest of the world	535.8	623.1	16.3%	23.4%
Global businesses	155.6	145.3	-6.6%	-5.0%
Other	(43.4)	(6.3)	n/a	n/a
GROUP	1,497.3	1,604.0	7.1%	9.7%

Net financial expense

(in € million)	Year ended December 31, 2017 re-presented	Year ended December 31, 2018
Cost of net financial debt (1)	(409.8)	(413.8)
Net gains/losses on loans and receivables	21.6	14.0
Net income (loss) on available-for-sale assets	4.6	4.6
Assets and liabilities at fair value through the Consolidated Income Statement	0.3	(0.1)
Foreign exchange gains and losses	(23.8)	(10.6)
Unwinding of the discount on provisions	(35.4)	(30.4)
Interest on concession liabilities	(94.3)	(94.2)
Other	(22.6)	(35.6)
Other current financial income and expenses (2)	(149.6)	(152.3)
Gains (losses) on disposals of financial assets*	8.0	4.5
Current net financial expense (1)+(2)	*(551.4)*	*(561.6)*
Other non-current financial income and expenses	-	-
NET FINANCIAL EXPENSE	(551.4)	(561.6)

* *Including financial asset disposal costs.*

Cost of net financial debt

The cost of net financial debt totaled -€413.8 million for the year ended December 31, 2018, compared with re-presented -€409.8 million for the year ended December 31, 2017. This decrease is partly due to the increased cost of non-euro denominated debt in emerging countries and to a decrease in the interest rates on cash balances partially offset by active debt management with a declining financial rate on Euro debt from 3.04% in 2017 to 2.91% in 2018 thanks to the Group bond debt refinancing operations.

Cost of net financial debt reduces from 4.91% in 2017 re-presented to 4.18% for the year ended December 31, 2018.

Other financial income and expenses

Other financial income and expenses totaled -€152.3 million for the year ended December 31, 2018, compared with -€149.6 million for the year ended December 31, 2017 re-presented.

These expenses include interest on concession liabilities (IFRIC 12) of -€94.2 million and the unwinding of discounts on provisions of -€30.4 million.

Capital gains on financial divestitures of €4.5 million in the first-half of 2018 include the capital gain on the disposal of the Industrial Services Division in the United States of €36 million and fair value adjustments to assets held for sale in Europe excluding France. They total €8 million in fiscal year 2017 re-presented (including a capital gain of +€11 million gain on the sale of Lanzhou in China and fair value adjustments to Mehrum in Germany of -€9 million).

Current income tax expense

The current income tax expense is -€204.9 million in 2018 compared to -€194.9 million in 2017 re-presented.

The current tax rate of 22.1% (versus 23.0% in 2017 re-presented[1] excluding capital gains and contribution of equity method is due to a significant portion of the Group's results being taxed at a lower rate (than the French tax rate) and an improvement in results in France.

(in € million)	Year ended December 31, 2017 re-presented	Year ended December 31, 2018
Current income before tax (a)	**945.8**	**1,042.4**
Of which share of net income of joint ventures & associates (b)	98.4	115.9
Re-presented current income before tax: (d)=(a)-(b)	**847.4**	**926.5**
Re-presented tax expense (e)	**(194.9)**	**(204.9)**
RE-PRESENTED TAX RATE ON CURRENT INCOME (E)/(D)	23.0%	22.1%

(1) Income tax 2017 published 23.9%.

Current net income

Current net income attributable to owners of the Company was €674.9 million for the year ended December 31, 2018, compared with re-presented €613.6 million for the year ended December 31, 2017. Excluding capital gains and losses on financial divestitures net of tax and minority interests, current net income attributable to owners of the Company rose +14.7% at constant exchange rates to €678.6 million from €607.1 million for the year ended December 31, 2017 re-presented.

Financing

Net free cash flow is €568 million for the year ended December 31, 2018, compared with €619 million for the year ended December 31, 2017 re-presented.

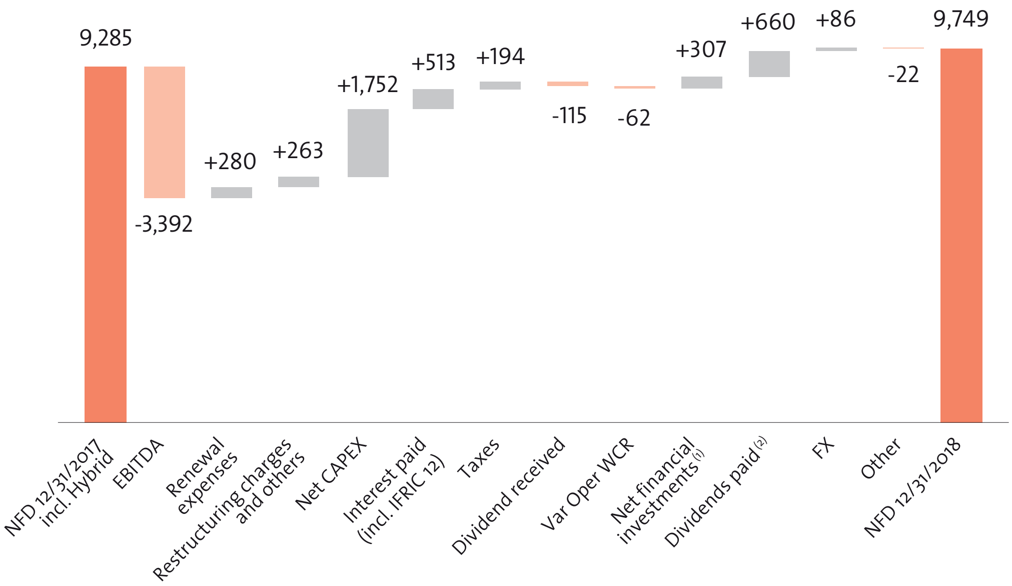
The change in net free cash flow compared with the year ended December 31, 2017 re-presented mainly reflects higher gross industrial investments, up +4.2% to €1,811 million and including maintenance investments of €789 million (3% of revenue), growth investments in the current portfolio of €713 million (€707 million on December 31, 2017) and a significant increase in discretionary investments to €309 million. This change in free cash flow includes a further reduction in operating WCR of -€62 million (despite higher revenue), following a decrease of -€115 million in 2017.

Overall, **net financial debt** is €9,749 million (including the redemption of the hybrid debt in the amount of €1,452 million in April 2018), compared with €9,285 million as of December 31, 2017 re-presented.

In addition to the change in net free cash flow, net financial debt includes financial investments of €307 million (versus €418 million as of December 31, 2017), mainly in Waste (Grupo Sala in Colombia) and Energy (PPC group in Slovakia).

Net financial debt was also impacted by negative exchange rate fluctuations of -€86 million as of December 31, 2018 compared with December 31, 2017.

3



(1) Financial investments of -€786 million, net of financial divestitures of €479 million.

(2) Including -€66 million: Hybrid debt coupon.

3.2.3 REVENUE BY BUSINESS

(in € million)	Year ended December 31, 2017 re-presented	Year ended December 31, 2018	2017/2018 change Δ	Δ at constant exchange rates	Δ at constant scope and exchange rates
Water	10,811	10,894	0.8%	2.3%	2.1%
• Water and Wastewater	7,860	8,053	2.5%	3.8%	3.5%
• Water, Technology and Works	2,951	2,841	-3.7%	-1.9%	-1.6%
Waste	9,037	9,599	6.2%	9.2%	4.9%
Energy	4,971	5,418	9.0%	11.0%	10.0%
GROUP	24,818	25,911	4.4%	6.5%	4.7%

Water

Water revenue increased by +2.3% at constant exchange rates and +2.1% at constant scope and exchange rates compared with re-presented figures for the year ended December 31, 2017. This improvement can be explained as follows:

- a positive **commerce/volume** impact of +0.7% (excluding Construction activities), tied to higher volumes in Central Europe (+1.1%) and commercial momentum in the Rest of the world (North America, Latin America and Asia), offsetting reduced volumes in France (-0.7%: negative weather impact in the second and fourth quarters);
- a positive **price impact** of +1.1%, with higher tariffs notably in Central Europe and Water price indexation in France (+0.7%);
- **construction** activity up slightly, with an increase in the Rest of the world (particularly in the Pacific and Middle East regions), offset by a fall in construction activity in Veolia Water Technologies, as it shifts progressively towards technology and services.

Waste

Waste revenue rose considerably by +9.2% at constant exchange rates compared with re-presented figures for the year ended December 31, 2017 (+4.9% at constant consolidation scope and exchange rates), due to:

- a **commerce/volume** impact of +3.6% (excluding Construction activities), with higher values across all geographies and increased waste collection and treatment volumes in France (+5.0%), the United Kingdom and Asia and in hazardous waste, as well as a high contract renewal rate and numerous awarded contracts (Northern Europe, Latin America and in hazardous waste);
- a positive **price effect** of +2.2% (mainly in Latin America, the United Kingdom and Asia);
- the negative impact of **recyclate prices** (-1.0%), notably due to the fall in paper prices;
- a **consolidation scope** impact of +4.3% tied to acquisitions in Germany, Sweden,Colombia and Asia, offset by the sale of the Industrial Services Division in the United States (-€169 million).

Energy

Energy revenue rose by +11.0% at constant exchange rates compared with re-presented figures for the year ended December 31, 2017 (+10.0% at constant consolidation scope and exchange rates). This improvement can be explained by:

- a **commercial and volume effect** of +6.7% (including Construction activities), with higher energy volumes in Central Europe and Africa and the Middle East (ENOVA contract win) and the start-up of new contracts in Canada and in multi-utility industrial activities;
- a positive **price effect** (+2.3%) with a strong increase in heating and electricity prices in North America and Central Europe (Poland);
- a negative **weather impact** (-0.6%), particularly in Central Europe in the second quarter;
- a consolidation **scope impact** (+1%).

3.2.4 OTHER INCOME STATEMENT ITEMS

3.2.4.1 Selling, general and administrative expenses

Selling, general and administrative expenses impacting current EBIT declined from €2,816.6 million for the year ended December 31, 2017 re-presented to €2,754.0 million for the year ended December 31, 2018, representing a decrease of -2.2% at current consolidation scope and exchange rates (-0.2% at constant exchange rates). The ratio of selling, general and administrative expenses to revenue improved from re-presented 11.3% for the year ended December 31, 2017 to 10.6% for the year ended December 31, 2018. This decline reflects the continuation of the cost savings plan and its consequences on the cost structure of the Group.

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

The classification of Transdev in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale as of December 31, 2018 did not generate any net income (compared with €22.8 million in the year ended December 31, 2017); the value of the Group's investment in Transdev was fixed as of December 31, 2017 pursuant to application of IFRS 5.

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

The share of net income attributable to non-controlling interests totaled -€167.8 million for the year ended December 31, 2018, compared with re-presented -€137.6 million for the year ended December 31, 2017.

Net income attributable to owners of the Company was €439.3 million for the year ended December 31, 2018, compared with re-presented €397.7 million for the year ended December 31, 2017.

Current net income attributable to owners of the Company was €674.9 million for the year ended December 31, 2018, compared with re-presented €613.6 million for the year ended December 31, 2017.

Based on a weighted average number of outstanding shares of 551.1 million (basic), and 575.9 million (diluted), for the year ended December 31, 2018, compared with 550.8 million (basic) and 574.6 million (diluted) for the year ended December 31, 2017 re-presented, net income attributable to owners of the Company per share for the year ended December 31, 2018 was €0.68 (basic) and €0.65 (diluted) compared with re-presented €0.60 (basic) and €0.57 (diluted) for the year ended December 31, 2017 re-presented. Current net income attributable to owners of the Company per share was €1.22 (basic) and €1.17 (diluted) for the year ended December 31, 2018, compared with €1.11 (basic) and €1.07 (diluted) for the year ended December 31, 2017 re-presented.

The dilutive effect taken into account in the above earnings per share calculation concerns the OCEANE bonds convertible into and/or exchangeable for new and/or existing shares issued in March 2016 and the free share and performance share grant plans set-up on July 1 and November 1, 2018.

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

(in € million)	Current	Non-current	Total
EBIT	**1,604.0**	**(184.5)**	**1,419.6**
Cost of net financial debt	(413.8)		(413.8)
Other financial income and expenses	(147.8)		(147.8)
Pre-tax net income (loss)	1,042.5	(184.5)	858.0
Income tax expense	(204.9)	4.7	(200.2)
Net income (loss) of other equity-accounted entities	0.0	0.0	0.0
Net income (loss) from discontinued operations	0.0	(50.6)	(50.6)
Attributable to non-controlling interests	(162.6)	(5.2)	(167.8)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	674.9	(235.6)	439.3

Net income (loss) from discontinued operations to the end of December 2018 includes the impact of the exit from Gabon of -€46.4 million and the share of the net income (loss) associated with the Group's activities in Lithuania of -€4.2 million.

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

(in € million)	Current	Non-current	Total
EBIT	**1,497.3**	**(234.6)**	**1,262.7**
Cost of net financial debt	(409.8)		(409.8)
Other financial income and expenses	(141.7)		(141.7)
Pre-tax net income (loss)	945.8	(234.6)	711.3
Income tax expense	(194.9)	(22.2)	(217.1)
Net income (loss) of other equity-accounted entities	0.0	22.8	22.8
Net income (loss) from discontinued operations	0.0	18.5	18.5
Attributable to non-controlling interests	(137.3)	(0.3)	(137.6)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	613.6	(215.8)	397.7

Current EBIT reconciles with operating income, as shown in the income statement, as follows:

(in € million)	Year ended December 31, 2017 re-presented	Year ended December 31, 2018
Current EBIT	**1,497.3**	**1,604.0**
Impairment losses on goodwill and negative goodwill	(1.5)	0.9
Non-current charges, impairments and provisions	(62.0)	(36.7)
Restructuring costs	(157.6)	(120.5)
Personnel costs -share-based payments	(1.4)	(17.4)
Share acquisition costs, with or without acquisition of control	(12.1)	(10.8)
Total non-current items	**(234.6)**	**(184.5)**
OPERATING INCOME AFTER SHARE OF NET INCOME OF EQUITY-ACCOUNTED ENTITIES	1,262.6	1,419.6

Restructuring charges for the year ended December 31, 2018 mainly concern the Global businesses segment (-€67.2 million). In addition, application of IFRS 2 led to the recognition of an expense of -€17.4 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, 2017 re-presented	Year ended December 31, 2018
EBITDA	**3,217.1**	**3,392.0**
Net industrial investments	(1,648.3)	(1,751.5)
Change in operating WCR	115.4	61.8
Dividends received from equity-accounted entities and joint ventures	81.3	115.0
Renewal expenses	(272.4)	(279.8)
Other non-current expenses and restructuring charges	(138.3)	(262.6)
Interest on concession liabilities	(94.3)	(94.2)
Financial items (current interest paid and operating cash flow from financing activities)	(423.3)	(419.2)
Taxes paid	(218.5)	(193.7)
Net free cash flow before dividend payment, financial investments and financial divestitures	618.7	567.8
Dividends paid	(648.1)	(659.7)
Net financial investments	(418.4)	(306.7)
Change in receivables and other financial assets	95.4	0.0
Issue/redemption of deeply subordinated securities	0.0	0.0
Proceeds on issue of shares	23.9	11.3
Free cash flow	**(328.6)**	**(387.2)**
Effect of foreign exchange rate movements and other*	307.5	(1,529.2)
Change	**(21.1)**	**(1,916.4)**
Net financial debt at the beginning of the period	(7,812.1)	(7,833.2)
NET FINANCIAL DEBT AT THE END OF THE PERIOD	(7,833.2)	(9,748.9)

* *The effect of foreign exchange rate and other movements as of December 31, 2018 includes the redemption of the hybrid debt in the amount of €1,452 million and the unfavorable change impact (-€86 million).*

Net free cash flow before dividend payments and net financial investments was €568 million for the year ended December 31, 2018 (versus re-presented €619 million for the year ended December 31, 2017).

The change in net free cash flow compared with the re-presented figure for the year ended December 31, 2017 primarily reflects:

- improved EBITDA ;
- a favorable change in operating working capital requirements;
- greater net industrial investments driven by an increase in growth projects finalized compared with 2017;
- higher restructuring costs tied to the Veolia Water Technologies transformation plan.

3.3.2 INDUSTRIAL AND FINANCIAL INVESTMENTS

3.3.2.1 Industrial investments

Total Group gross industrial investments, including new operating financial assets, amounted to €1,811 million for the year ended December 31, 2018, compared with re-presented €1,738 million for the year ended December 31, 2017.

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

Year ended December 31, 2018 *(in € million)*	Maintenance and contractual requirements(1)	Discretionary growth	Total gross industrial investments(2)	Industrial divestitures	Total net industrial investments
France	327	34	361	(29)	332
Europe, excluding France	644	58	702	(14)	688
Rest of the world	373	207	580	(5)	575
Global businesses	138	10	148	(11)	137
Other	20	0	20	0	20
GROUP	1,502	309	1,811	(59)	1,752

(1) Including maintenance investments of €789 million and contractual investments of €713 million.
(2) Including new OFA in the amount of €159 million.

Year ended December 31, 2017 re-presented *(in € million)*	Maintenance and contractual requirements(1)	Discretionary growth	Total gross industrial investments(2)	Industrial divestitures	Total net industrial investments
France	360	12	372	(15)	357
Europe, excluding France	590	93	683	(30)	653
Rest of the world	426	104	530	(27)	503
Global businesses	128	0	128	(16)	112
Other	25	0	25	(1)	24
GROUP	1,529	209	1,738	(89)	1,649

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

At constant exchange rates, gross industrial investments are 5.6% higher than 2017 re-presented, following an acceleration in discretionary growth industrial investment compared to 2017 re-presented (+48%). These investments mainly include:

- in France, discretionary investment of €34 million in Waste (construction of Troyes incinerator, modernization of the sorting center at a waste-to-energy facility);
- in Europe (€58 million), new connections to water and heating networks in Central Europe and expansion of plastic recycling capacity;
- in the Rest of the world, investment of €207 million encompassing the development of industrial water processing capacity (mainly Sinopec), the construction of six hazardous waste processing centers in China and Singapore, the extension of the heating network in Energy in China and industrial projects in China and South Korea.

3.3.2.2 Financial investments and divestitures

Financial investments totaled €786 million in 2018 (including acquisition costs and net financial debt of new entities) and notably include the acquisition of Grupo Sala in Colombia (€168 million), PPC group in Slovakia (€135 million), minority interests in Veolia Énergie Ceska Republika a.s. in the Czech Republic (€85 million) and HCI in Belgium (€43 million). Financial investments totaled re-presented €565 million in 2017 (including net financial debt of new entities) and include the acquisitions of Corvara and Hans Andersson (€143 million), Uniken (€66 million), the Dutch group Van Scherpenzeel (€56 million), Eurologistik (€40 million) and Enovity (€26 million).

Financial divestitures totaled €479 million in 2018 (including disposal costs) and mainly include 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. In 2017, financial divestitures (€147 million) included the sale of Affinity in the United Kingdom and energy services for buildings in Sweden.

3.3.3 LOANS TO JOINT-VENTURES

Loans to equity-accounted entities, recorded under "Change in receivables and other financial assets" totaled €132 million as of December 31, 2018 (versus €117 million as of December 31, 2017) and included loans to the Chinese concessions of €77.1 million, up €11.5 million compared with €65.6 million as of December 31, 2017. Other receivables mainly include the €19.5 million loan granted by Veolia Énergie to the joint venture Kihpihlati.

3.3.4 OPERATING WORKING CAPITAL REQUIREMENTS

The change in operating working capital requirements (excluding discontinued operations) was €62 million for the year ended December 31, 2018, compared with re-presented €115 million for the year ended December 31, 2017.

This variation between the two periods was mainly due to operating working capital requirements generated by operations.

The net WCR position on the balance sheet as of December 31, 2018 re-presented a resource of €879 million, an improvement despite the increase in Group revenue during the year.

See Note 5.3 to the consolidated financial statements for the year ended December 31, 2018.

3.3.5 EXTERNAL FINANCING

3.3.5.1 Structure of net financial debt

(in € million)	Note to the consolidated financial statements	As of December 31, 2017 re-presented	As of December 31, 2018
Non-current borrowings	7.1.1	9,457.4	9,655.5
Current borrowings	7.1.1	4,607.0	4,620.9
Bank overdrafts and other cash position items	7.1.3	208.9	215.7
Sub-total borrowings		14,273.3	14,492.1
Cash and cash equivalents	7.1.3	(6,263.9)	(4,556.5)
Fair value gains (losses) on hedge derivatives and other		(1.3)	6.1
Liquid assets and financing financial assets	7.1.2	(174.9)	(192.8)
NET FINANCIAL DEBT		7,833.2	9,748.9

As of December 31, 2018, net financial debt after hedging is borrowed 93% at fixed rates and 7% at floating rates.

The average maturity of gross financial debt was 7.5 years as of December 31, 2018, compared with 9.2 years as of December 31, 2017.

3.3.5.2 Group liquidity position

Liquid assets of the Group as of December 31, 2018 break down as follows:

(in € million)	Year ended December 31, 2017 re-presented	Year ended December 31, 2018
Veolia Environnement:		
Undrawn syndicated loan facility	3,000.0	3,000.0
Undrawn MT bilateral credit lines	925.0	925.0
Undrawn ST bilateral credit lines	-	-
Letters of credit facility	55.1	64.7
Cash and cash equivalents(1)	5,371.0	3,510.6
Subsidiaries:		
Cash and cash equivalents(1)	1,067.8	1,238.7
Total liquid assets	**10,419.0**	**8,739.0**
Current debt, bank overdrafts and other cash position items		
Current debt	4,607.0	4,622.4
Bank overdrafts and other cash position items	208.9	215.7
Total current debt and bank overdrafts	**4,815.9**	**4,838.2**
TOTAL LIQUID ASSETS NET OF CURRENT DEBT AND BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS	**5,603.1**	**3,900.8**

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

The decrease in net liquid assets was mainly due to the redemption of the deeply-subordinated perpetual securities (hybrid debt) in April 2018 for a nominal amount of €1,452 million.

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, 2018.

Veolia Environnement has bilateral credit lines for a total undrawn amount of €925 million as of December 31, 2018.

As of December 31, 2018, the bilateral letters of credit facility was drawn by US$110.9 million. The portion that may be drawn in cash of US$74.1 million (€64.7 million equivalent) is undrawn and is recorded in the liquidity table above.

3.3.5.3 Bank covenants

See Note 8.3.2.3 to the consolidated financial statements for the year ended December 31, 2018.

3.4 Return on Capital Employed (ROCE)

3.4.1 POST-TAX ROCE

Current EBIT after tax is calculated as follows:

(in € million)	Year ended December 31, 2017 re-presented	Year ended December 31, 2018
Current EBIT*	1,497	1,604
• Current income tax expense	(195)	(205)
Current EBIT after tax	**1,302**	**1,399**

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

(in € million)	Year ended December 31, 2017 re-presented	Year ended December 31, 2018
Intangible assets and Property, plant and equipment, net	11,775	12,399
Goodwill, net of impairment	4,928	5,148
Investments in joint ventures and associates	2,114	1,887
Operating financial assets	1,614	1,486
Operating and non-operating working capital requirements, net	(2,266)	(2,602)
Net derivative and other instruments	(8)	0
Provisions	(2,478)	(2,263)
Capital employed	**15,680**	**16,057**
Impact of discontinued operations and other restatements(1)	(160)	172.0
Re-presented closing capital employed	**15,520**	**16,229**
Average capital employed for the year (excluding Gabon)(2)	**15,552**	**15,839**

(1) 2017 restatements include the impact of the capital employed of entities that are not viewed as core to the Group's businesses, i.e. Transdev Group. In addition, 2017 and 2018 figures were restated for the capital employed of divested companies (Industrial Services Division in the United States in 2017) and operations reclassified in accordance with IFRS 5 in 2017/2018 (ScVK).
(2) Average capital employed is adjusted for the Gabon contribution (2017: €72 million; 2018: €35 million).

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
2017	1,302	15,552	8.4%
2018	**1,399**	**15,839**	**8.8%**

3.4.2 PRE-TAX ROCE

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

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

(in € million)	Current EBIT before tax	Average capital employed	Pre-tax ROCE
France	152.1	1,716.4	8.9%
Europe, excluding France	681.4	6,820.2	10.0%
Rest of the world	458.9	4,346.3	10.6%
Global businesses	149.9	1,185.2	12.6%
Other	(43.4)	(461.4)	N/A
TOTAL GROUP 2017	**1,398.9**	**13,606.8**	**10.3%**
France	114.5	1,659.4	6.9%
Europe, excluding France	715.0	7,107.3	10.1%
Rest of the world	525.3	4,492.5	11.7%
Global businesses	139.4	1,197.1	11.6%
Other	(6.1)	(465.2)	N/A
TOTAL GROUP 2018	**1,488.1**	**13,991.1**	**10.6%**

3.5 Statutory Auditors' fees

(in € million)	KPMG SA 2018	KPMG SA 2017	Ernst & Young 2018	Ernst & Young 2017
Certification of individual and consolidated accounts and half year limited review				
• Veolia Environnement	1.5	1.5	1.8	1.8
• Controlled entities	9.0	8.4	10.3	10.3
Sub-total (a)	10.5	9.9	12.1	12.1
Other services than certification of accounts required by legal and regulatory texts				
• Veolia Environnement	0.0	0.5	0.1	0.5
• Controlled entities	0.2	0.1	0.1	0.2
Sub-total (b)	0.2	0.6	0.2	0.7
Other services than the certification of accounts provided at the request of the entity				
• Veolia Environnement	0.2	0.2	0.1	0.1
• Controlled entities	1.5	2.0	2.4	2.1
Sub-total (c)	1.7	2.2	2.5	2.2
Other Services than certification of accounts(1)				
Sub-total (d) = (b) + (c)	1.9	2.8	2.7	2.9
TOTAL (E) = (A) + (D)	12.4	12.7	14.8	15.0

(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).

3.6 Related-party transactions

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

3.7 Subsequent events

AGREEMENT FOR THE SALE OF VEOLIA'S STAKE IN TRANSDEV TO THE RETHMANN GROUP

Following the sale of its 20% stake to Caisse des Dépôts et Consignation in December 2016, Veolia Environnement and CDC jointly sought a new shareholder, both interested in acquiring Veolia Environnement's remaining stake in Transdev and able to support the Company's future development.

On January 9, 2019, Veolia Environnement therefore closed the sale of its 30% residual stake in Transdev to the Rethmann group with a transaction price of €340 million. This transaction marks the end of the Group's withdrawal process from the Transport business.

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.

Bond issue

On January 7, 2019, Veolia successfully performed at par a €750 million bond issue maturing in January 2024 (*i.e.* five years) and bearing a coupon of 0.892%. The proceeds of this issue will be used for general corporate purposes. The high level of oversubscription, the quality of the investor base and the good conditions that were achieved in spite of the fact that Veolia already tapped the bond market in November 2018 are signals of the significant appreciation of Veolia's credit quality.

3.8 Risk factors

The main risk factors the Group could confront are set out in Chapter 5 below.

3.9 Perspectives

- 2019 Objectives:
  - continuation of sustained revenue growth;
  - more than €220 million in cost savings;
  - EBITDA between €3.5 billion and €3.6 billion[1].
- Dividend growth in line with that of current net income.

(1) At constant exchange rates (based on rates at the end of 2018) and excluding IFRS 16 impacts.

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 2.4.5.

The reconciliation from Operating cash flow before change in working capital to EBITDA is as follows:

(in € million)	Year ended December 31, 2017 re-presented	Year ended December 31, 2018
Operating cash flow before changes in working capital	**2,615.2**	**2,670.1**
Operating cash flow from financing activities	(12.1)	(24.8)
Adjusted operating cash-flow	2,627.3	2,694.9
Excluding:		
Renewal expenses	272.4	279.8
Cash restructuring costs	124.5	205.3
Share acquisition and disposal costs	19.3	19.5
Other non-current expenses	13.9	57.4
Including:		
Principal payments on operating financial assets	159.7	135.1
EBITDA	**3,217.1**	**3,392.0**

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

(in € million)	Notes	Year ended December 31, 2017 re-presented	Year ended December 31, 2018
Net cash from operating activities of continued operations		**2,390.1**	**2,391.1**
Including:			
Industrial investments, net of grants		(1,495.5)	(1,490.4)
Proceeds on disposal of intangible assets and property plant and equipment		89.3	59.2
New operating financial assets		(112.4)	(159.3)
Principal payments on operating financial assets		159.7	135.1
New finance lease obligations		(8.1)	(13.9)
Dividends received		81.3	115.0
Interest paid (incl. I12 interest)		(531.9)	(500.4)
Excluding:			
Share acquisition and disposal costs and other items		46.1	31.4
Free cash-flow net		**618.7**	**567.8**

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

(in € million)	Year ended December 31, 2017 re-presented	Year ended December 31, 2018
Industrial investments, net of grants	**(1,495.5)**	**(1,490.4)**
New finance lease obligations	(8.1)	(13.9)
Change in concession working capital requirements	(122.0)	(147.1)
New operating financial assets	(112.4)	(159.3)
Industrial investments	**(1,738.0)**	**(1,810.7)**

3.10.2 RECONCILIATION OF 2017 REPORTED DATA WITH 2017 RE-PRESENTED DATA

(in € million)	Year ended December 31, 2017 published	IFRS 5 adjustment[2]	IFRS 9 adjustment	Year ended December 31, 2017 re-presented
Revenue	25,124,6	(306.2)	0.0	24,188.4
EBITDA	3,284.1	(63.6)	(3.4)	3,217.1
Current EBIT[1]	1,519.4	(18.7)	(3.4)	1,497.3
Operating income	1,284.8	(18.7)	(3.4)	1,262.6
Current net Income – Group share	622.6	(5.2)	(3.8)	613.6
Net Income – Group share	401.6	0.0	(3.8)	397.7
Gross industrial Investments	(1,738)	0.0	0.0	(1,738)
Net free cash flow	655	(36)	(1.0)	619
Net financial debt	(7,841)	0.0	8.0	(7,833)

(1) Including the share of current net income of joint ventures and associates for the year ended December 31, 2017 re-presented.
(2) Figures for the year ended December 31, 2017 were re-presented to ensure comparability, following the reclassification of the Group's activities in Gabon in "Net income from discontinued operations" in accordance with IFRS 5.

(in € million)	Year ended December 31, 2017 published	IFRS 5 adjustment	IFRS 9 adjustment	Year ended December 31, 2017 re-presented
France	5,414.5	0.0	0.0	5,414.5
Europe excluding France	8,504.4	0.0	0.0	8,504.4
Rest of the world	6,618.6	(306.2)	0.0	6,312.4
Global businesses	4,558.3	0.0	0.0	4,558.3
Other	28.8	0.0	0.0	28.8
REVENUE	**25,124.6**	**(306.2)**	**0.0**	**24,818.4**

(in € million)	Year ended December 31, 2017 published	IFRS 5 adjustment	IFRS 9 adjustment	Year ended December 31, 2017 re-presented
France	788.3	0.0	0.0	788.3
Europe excluding France	1,305.0	0.0	(4.6)	1,300.4
Rest of the world	938.3	(63.6)	1.2	875.9
Global businesses	259.8	0.0	0.0	259.8
Other	(7.2)	0.0	0.0	(7.2)
EBITDA	3,284.1	(63.6)	(3.4)	3,217.1

(in € million)	Year ended December 31, 2017 published	IFRS 5 adjustment	IFRS 9 adjustment	Year ended December 31, 2017 re-presented
France	152.4	0.0	0.0	152.4
Europe excluding France	701.5	0.0	(4.6)	697.0
Rest of the world	553.3	(18.7)	1.2	535.8
Global businesses	155.6	0.0	0.0	155.6
Other	(43.4)	0.0	0.0	(43.4)
CURRENT EBIT	1,519.4	(18.7)	(3.4)	1,497.3

3.10.3 DEFINITIONS

GAAP (IFRS) indicators

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

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

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

Non-GAAP indicators

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

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

The industrial sector covers Water, Waste and Energy management services, offered to industrial or service sector customers.

EBITDA comprises the sum of all operating income and expenses received and paid (excluding restructuring charges, non-current WCR impairments, renewal expenses and share acquisition and disposal costs) and principal payments on operating financial assets.

The EBITDA margin is defined as the ratio of EBITDA to revenue.

To calculate **current EBIT,** the following items will be deducted from operating income:

- goodwill impairments of fully controlled subsidiaries and equity-accounted entities;
- restructuring charges;
- non-current provisions and impairments;
- non-current and/or significant impairment of non-current assets (tangible, intangible assets and operating financial assets);
- impacts relating to the application of IFRS 2, Share-based payment;
- share acquisition costs.

Current net income 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), net of cash and cash equivalents, liquid assets and financing-related assets, including fair value adjustments to derivatives hedging debt. Liquid assets are financial assets composed of funds or securities with an initial maturity of more than three months, easily convertible into cash, and managed with respect to a liquidity objective while maintaining a low capital risk.

The leverage ratio is the ratio of closing net financial debt to EBITDA.

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

The pre-tax return on capital employed (ROCE) is defined as the ratio of:

- current EBIT before share of net income or loss of equity-accounted entities;
- average capital employed in the year, including operating financial assets and excluding investments in joint ventures and associates.

Capital employed used in the pre-tax ROCE calculation is therefore equal to the sum of net intangible assets and property, plant and equipment, goodwill net of impairment, operating financial assets, net operating and non-operating working capital requirements and net derivative instruments less provisions. It also includes the capital employed of activities classified within assets and liabilities held for sale, excluding discontinued operations.

The post-tax return on capital employed (ROCE) is defined as the ratio of:

- current EBIT including the share of net income or loss of equity-accounted entities, after tax. It is calculated by subtracting the current tax expense from current EBIT including the share of net income or loss of equity-accounted entities. Current tax expense is the tax expense in the income statement re-presented for tax effects on non-current items;
- average capital employed in the year, including operating financial assets and investments in joint ventures and associates.

Capital employed used in the post-tax ROCE calculation is therefore equal to the sum of net intangible assets and property, plant and equipment, goodwill net of impairment, investments in joint ventures and associates, operating financial assets, net operating and non-operating working capital requirements and net derivative instruments less provisions. It also includes the capital employed of activities classified within assets and liabilities held for sale, excluding discontinued operations.

For both pre-tax and post-tax ROCE, the impacts of the Group's investment in the Transdev Group joint venture, which is not viewed as a core Company activity and whose contribution is recognized as a share of net income of other equity-accounted entities, are excluded from the calculations.

3.11 Recent events (after the accounts closing by the Board of Directors)

None

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FINANCIAL STATEMENTS

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

4.1 Consolidated Financial statements AFR

4.1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position-Assets

(in € million)		As of December 31, 2017 re-presented*	As of December 31, 2018
Goodwill	Note 7.1	4,915.7	5,107.7
Concession intangible assets	Note 7.2.1	3,475.3	3,467.3
Other intangible assets	Note 7.2.2	1,017.1	1,116.3
Property, plant and equipment	Note 7.3	7,294.4	7,856.8
Investments in joint ventures	Note 5.2.4	1,506.1	1,517.1
Investments in associates	Note 5.2.4	607.8	370.2
Non-consolidated investments		70.6	44.3
Non-current operating financial assets	Note 5.4	1,416.8	1,387.1
Non-current derivative instruments – Assets	Note 8.3	27.1	31.6
Other non-current financial assets	Note 8.1.2	348.6	332.8
Deferred tax assets	Note 11.2	965.1	1,028.2
Non-current assets		**21,644.6**	**22,259.5**
Inventories and work-in-progress	Note 5.3	721.6	818.0
Operating receivables	Note 5.3	8,489.5	9,016.3
Current operating financial assets	Note 5.4	197.3	99.3
Other current financial assets	Note 8.1.2	404.6	432.2
Current derivative instruments – Assets	Note 8.3	69.9	69.2
Cash and cash equivalents	Note 8.1.3	6,263.9	4,556.5
Assets classified as held for sale	Note 3.3	487.3	341.8
Current assets		**16,634.1**	**15,333.3**
TOTAL ASSETS		38,278.7	37,592.8

* *2017 adjustments concern the reclassification of Gabon in discontinued operations in accordance with IFRS 5 and the impact of first-time application of IFRS 9 (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

(in € million)		As of December 31, 2017 re-presented*	As of December 31, 2018
Share capital	Note 9.2	2,816.8	2,828.0
Additional paid-in capital		7,161.2	7,182.5
Reserves and retained earnings attributable to owners of the Company		(2,497.8)	(4,025.1)
Total equity attributable to owners of the Company	**Note 9.2**	**7,480.2**	**5,985.4**
Total equity attributable to non-controlling interests	Note 9.3	1,153.7	1,158.9
Equity		**8,633.9**	**7,144.3**
Non-current provisions	Note 10	1,941.6	1,790.3
Non-current borrowings	Note 8.1.1	9,457.4	9,655.5
Non-current derivative instruments – Liabilities	Note 8.3	108.4	55.8
Concession liabilities – non current	Note 5.5	1,281.2	1,350.4
Deferred tax liabilities	Note 11.2	970.1	1,042.6
Non-current liabilities		**13,758.7**	**13,894.6**
Operating payables	Note 5.3	10,118.0	10,964.9
Concession liabilities – current	Note 5.5	85.8	117.9
Current provisions	Note 10	577.0	530.1
Current borrowings	Note 8.1.1	4,607.0	4,622.5
Current derivative instruments - Liabilities	Note 8.3	49.1	83.7
Bank overdrafts and other cash position items	Note 8.1.3	208.9	215.7
Liabilities directly associated with assets classified as held for sale	Note 3.3	240.3	19.1
Current liabilities		**15,886.1**	**16,553.8**
TOTAL EQUITY AND LIABILITIES		38,278.7	37,592.8

* *2017 adjustments concern the reclassification of Gabon in discontinued operations in accordance with IFRS 5 and the impact of first-time application of IFRS 9 (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

(in € million)		As of December 31, 2017 re-presented[(1)]	As of December 31, 2018
Revenue	**Note 5.1**	**24,818.4**	**25,911.1**
Cost of sales	Note 5.2	(20,600.9)	(21,671.7)
Selling costs	Note 5.2	(619.4)	(610.3)
General and administrative expenses	Note 5.2	(2,197.9)	(2,141.6)
Other operating revenue and expenses	Note 5.2	(236.0)	(183.8)
Operating income before share of net income (loss) of equity-accounted entities	**Note 5.2**	**1,164.2**	**1,303.7**
Share of net income (loss) of equity-accounted entities		**98.4**	**115.9**
o/w share of net income (loss) of joint ventures	Note 5.2.4	63.5	71.7
o/w share of net income (loss) of associates	Note 5.2.4	34.9	44.2
Operating income after share of net income (loss) of equity-accounted entities		**1,262.6**	**1,419.6**
Cost of financial debt	Note 8.4.1	(409.8)	(413.8)
Other financial income and expenses	Note 8.4.2	(141.6)	(147.8)
Pre-tax net income (loss)		**711.2**	**858.0**
Income tax expense	Note 11.1	(217.2)	(200.2)
Share of net income (loss) of other equity-accounted entities	Note 5.2.4	22.8	-
Net income (loss) from continuing operations		**516.8**	**657.7**
Net income (loss) from discontinued operations	Note 3.3.2	18.5	(50.6)
Net income (loss) for the period		**535.3**	**607.1**
Attributable to owners of the Company		**397.7**	**439.3**
Attributable to non-controlling interests	Note 9.2	137.6	167.8
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE	Note 9.5	-	-
Basic		0.60	0.68
Diluted		0.57	0.65
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE	NOTE 9.5	-	-
Basic		0.57	0.77
Diluted		0.54	0.74
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE	NOTE 9.5	-	-
Basic		0.03	(0.09)
Diluted		0.03	(0.09)

(1) 2017 adjustments concern the reclassification of Gabon in discontinued operations in accordance with IFRS 5 and the impact of first-time application of IFRS 9.

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

4.1.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	As of December 31, 2017 re-presented(1)	As of December 31, 2018
Net income (loss) for the period	**535.3**	**607.1**
Actuarial gains or losses on pension obligations	94.2	(0.5)
Income tax expense	(22.3)	0.5
Amount net of tax	71.9	-
Fair value adjustments on non-consolidated investments at fait value through equity, not subsequently released to net income	-	-
Income tax expense	-	-
Amount net of tax	-	-
Other items of comprehensive income not subsequently released to net income	**71.9**	**-**
o/w attributable to joint ventures	**-**	**-**
o/w attributable to associates	***0.8***	***(0.2)***
Fair value adjustments on available-for-sale assets	5.2	(5.8)
Income tax expense	(1.9)	1.2
Amount net of tax	3.3	(4.6)
Fair value adjustments on cash flow hedge derivatives	(20.6)	0.7
Income tax expense	2.3	(1.2)
Amount net of tax	(18.3)	(0.5)
Foreign exchange gains and losses:	-	-
• on the translation of the financial statements of subsidiaries drawn up in a foreign currency	(295.0)	(114.1)
Amount net of tax	(295.0)	(114.1)
• on the net financing of foreign operations	45.4	(25.1)
• income tax expense	-	-
Amount net of tax	45.4	(25.1)
Other items of comprehensive income subsequently released to net income	**(264.6)**	**(144.3)**
o/w attributable to joint ventures (2)	***(112.2)***	***(5.7)***
o/w attributable to associates	***(9.9)***	***(1.6)***
Total Other comprehensive income	**(192.7)**	**(144.3)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	342.6	462.8
o/w attributable to owners of the Company	243.9	300.8
o/w attributable to non-controlling interests	98.7	162.0

(1) 2017 adjustments concern the reclassification of Gabon in discontinued operations in accordance with IFRS 5 and the impact of first-time application of IFRS 9.
(2) The share attributable to joint ventures mainly concerns the change in foreign exchange translation reserves of the Chinese concessions (-€12.8 million in 2018 and -€111.0 million in 2017).

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

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4.1.4 CONSOLIDATED CASH FLOW STATEMENT

(in € million)	Notes	As of December 31, 2017 re-presented[1]	As of December 31, 2018
Net income (loss) for the period		**535.3**	**607.1**
Net income (loss) from continuing operations		***516.8***	***657.7***
Net income (loss) from discontinued operations		***18.4***	***(50.6)***
Operating depreciation, amortization, provisions and impairment losses		1,481.5	1,399.4
Financial amortization and impairment losses		(6.5)	6.4
Gains (losses) on disposal of operating assets		(9.9)	(10.9)
Gains (losses) on disposal of financial assets		(15.1)	(13.1)
Share of net income (loss) of joint ventures	Note 5.2.4	(63.5)	(71.7)
Share of net income (loss) of associates	Note 5.2.4	(57.7)	(44.2)
Dividends received	Note 8.4.2	(3.4)	(4.4)
Net finance costs	Note 8.4.1	409.8	413.9
Income tax expense	Note 11	217.1	200.2
Other items		146.1	136.8
Operating cash flow before changes in operating working capital		**2,615.2**	**2,670.1**
Change in operating working capital requirements		115.4	61.8
Change in concession working capital requirements		(122.0)	(147.1)
Income taxes paid		(218.5)	(193.7)
Net cash from operating activities of continuing operations		***2,390.1***	***2,391.1***
Net cash from operating activities of discontinued operations		***62.1***	***(0.1)***
Net cash from operating activities		**2,452.2**	**2,391.0**
Industrial investments, net of grants		(1,495.5)	(1,490.4)
Proceeds on disposal of industrial assets		89.6	59.2
Purchases of investments	Note 3.2	(364.1)	(458.8)
Proceeds on disposal of financial assets	Note 3.2	136.9	245.1
Operating financial assets		-	-
New operating financial assets	Note 5.4	(112.4)	(159.3)
Principal payments on operating financial assets	Note 5.4	159.7	135.1
Dividends received (including dividends received from joint ventures and associates)		81.3	115.0
New non-current loans granted		(135.9)	(678.6)
Principal payments on non-current loans		193.5	675.7
Net decrease/increase in current loans		37.7	(17.4)
Net cash used in investing activities of continuing operations		***(1,409.2)***	***(1,574.4)***
Net cash used in investing activities of discontinued operations		***(12.6)***	***(3.2)***
Net cash used in investing activities		**(1,421.8)**	**(1,577.6)**
Net increase (decrease) in current borrowings	Note 8.1.1	(689.4)	(980.3)

(1) 2017 adjustments concern the reclassification of Gabon in discontinued operations in accordance with IFRS 5.

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(in € million)	Notes	As of December 31, 2017 re-presented[1]	As of December 31, 2018
Repayment of hybrid debt	Note 8.1.1	-	(1,452.1)
New non-current borrowings and other debts	Note 8.1.1	1,886.0	1,100.0
Principal payments on non-current borrowings and other debts	Note 8.1.1	(108.5)	(157.5)
Change in liquid assets and financing financial assets	Note 8.1.2	(163.3)	(17.4)
Proceeds on issue of shares	Note 9.2	15.3	43.8
Share capital reduction		-	-
Transactions with non-controlling interests: partial purchases		(6.7)	(109.8)
Transactions with non-controlling interests: partial sales		1.5	229.9
Proceeds on issue of deeply subordinated securities		-	-
Coupons on deeply subordinated securities	Note 9.4.1	(67.8)	(66.4)
Purchases of/proceeds from treasury shares	Note 9.2	23.9	(10.5)
Dividends paid	Note 9.2	(580.5)	(592.4)
Interest paid	Note 8.4.1	(437.6)	(406.2)
Interest on operating assets - IFRIC 12		(94.3)	(94.2)
Net cash from (used in) financing activities of continuing operations		***(221.4)***	***(2,513.1)***
Net cash from financing activities of discontinued operations		***(2.2)***	***(0.2)***
Net cash from (used in) financing activities		**(223.6)**	**(2,513.3)**
Effect of foreign exchange rate changes and other		(25.3)	(15.7)
Increase (decrease) in external net cash of discontinued operations		**(1.1)**	**1.4**
NET CASH AT THE BEGINNING OF THE YEAR		5,274.6	6,055.0
NET CASH AT THE END OF THE YEAR		6,055.0	4,340.8
Cash and cash equivalents	Note 8.1.3	6,263.9	4,556.5
Bank overdrafts and other cash position items	Note 8.1.3	208.9	215.7
NET CASH AT THE END OF THE YEAR		6,055.0	4,340.8

* *2017 adjustments concern the reclassification of Gabon in discontinued operations in accordance with IFRS 5.*

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

4.1.5 STATEMENT OF CHANGES IN EQUITY

(in € 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, 2017	**563,364,823**	**2,816.8**	**7,161.2**	**1,262.9**	**(458.0)**	**(3,234.6)**	**243.4**	**(42.5)**	**7,749.2**	**1,127.3**	**8,876.5**
IFRS 9 impact	**-**	**-**	**-**	**-**	**-**	**(20.6)**	**-**	**-**	**(20.6)**	**(0.1)**	**(20.7)**
Amount as of January 1, 2017 re-presented	**563,364,823**	**2,816.8**	**7,161.2**	**1,262.9**	**(458.0)**	**(3,255.2)**	**243.4**	**(42.5)**	**7,728.6**	**1,127.2**	**8,855.8**
Issues of share capital of the parent company	-	-	-	-	-	-	-	-	-	-	-
Proceeds on issue of deeply subordinated securities	-	-	-	-	-	-	-	-	-	-	-
OCEANE equity component	-	-	-	-	-	-	-	-	-	-	-
Coupon on deeply subordinated securities	-	-	-	(67.8)	-	-	-	-	(67.8)	-	(67.8)
Parent company dividend distribution	-	-	-	-	-	(439.7)	-	-	(439.7)	-	(439.7)
Elimination of treasury shares	-	-	-	-	23.9	-	-	-	23.9	-	23.9
Share-based payments	-	-	-	-	-	1.4	-	-	1.4	-	1.4
Third party share in share capital increases of subsidiaries	-	-	-	-	-	-	-	-	-	15.3	15.3
Third party share in dividend distributions of subsidiaries	-	-	-	-	-	-	-	-	-	(140.8)	(140.8)
Transactions with non-controlling interests	-	-	-	-	-	(2.8)	-	-	(2.8)	0.9	(1.9)
Total transactions with non-controlling interests	**-**	**-**	**-**	**(67.8)**	**23.9**	**(441.1)**	**-**	**-**	**(485.0)**	**(124.6)**	**(609.6)**
Other comprehensive income	-	-	-	-	-	74.7	(214.7)	(13.8)	(153.8)	(38.9)	(192.7)
Net income for the period	-	-	-	-	-	397.7	-	-	397.7	137.6	535.3
Total comprehensive income for the period	-	**-**	**-**	**-**	**-**	**472.4**	**(214.7)**	**(13.8)**	**243.9**	**98.7**	**342.6**
Other movements	-	-	-	-	-	(7.3)	-	-	(7.3)	52.4	45.1
Amount As of December 31, 2017	**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**
Amount As of December 31, 2017	**563,364,823**	**2,816.8**	**7,161.2**	**1,195.1**	**(434.1)**	**(3,207.3)**	**27.5**	**(56.3)**	**7,502,9**	**1,153.8**	**8,656.7**
IFRS 9 impact	**-**	**-**	**-**	**-**	**-**	**(23.9)**	**1.2**	**-**	**(22.7)**	**(0.1)**	**(22.8)**
Amount As of December 31, 2017 re-presented	**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**
Issues of share capital of the parent company	2,228,518	11.2	21.3	-	-	(10.8)	-	-	21.7	-	21.7

(in € 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
Proceeds on issue of deeply subordinated securities	-	-	-	(1,470.2)	-	18.1	-	-	(1,452.1)	-	(1,452.1)
OCEANE Equity component	-	-	-	-	-	-	-	-	-	-	-
Reclassification of 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	**565,593,341**	**11.2**	**21.3**	**(1,177.5)**	**(10.0)**	**(644.7)**	**-**	**-**	**(1,799.7)**	**(135.0)**	**(1,934.7)**
Other comprehensive income	-	-	-	-	-	(0.5)	(131.8)	(6.2)	(138.5)	(5.8)	(144.3)
Net income for the period	-	-	-	-	-	439.3	-	-	439.3	167.8	607.1
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**438.8**	**(131.8)**	**(6.2)**	**300.8**	**162.0**	**462.8**
Other movements	-	-	-	-	-	4.1	-	-	4.1	(21.8)	(17.7)
Amount As of December 31, 2018	**565,593,341**	**2,828.0**	**7,182.5**	**17.6**	**(444.1)**	**(3,433.0)**	**(103.1)**	**(62.5)**	**5,985.4**	**1,158.9**	**7,144.3**

A dividend per share of €0.84 was distributed in 2018, compared with €0.80 in 2017.

A dividend distribution of €0.92 per share is proposed to the General Shareholders' Meeting of April 18, 2019.

The total dividend paid recorded in the Consolidated Cash Flow Statement of €592 million and €580 million for the years ended December 31, 2018 and 2017, respectively, breaks down as follows:

(in € million)	As of December 31, 2017 re-presented	As of December 31, 2018
Parent company dividend distribution	(439.6)	(462.6)
Third party share in dividend distributions of subsidiaries	(140.8)	(129.8)
Scrip dividend	-	-
TOTAL DIVIDEND PAID	(580.5)	(592.4)

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, 2018 were adopted by the Board of Directors on February 20, 2019 and will be presented for approval at the General Shareholders' Meeting on April 18, 2019.

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, 2018, in accordance with uniform accounting policies and methods.

1.2.2 Standards, standard amendments and interpretations applicable from fiscal year 2018

The accounting principles and valuation rules applied by the Group in preparing the consolidated financial statements for the year ended December 31, 2018 are identical to those applied by the Group as of December 31, 2017 with the exception of:

- **IFRS 15, Revenue from Contracts with Customers**

  The requirement under IFRS 15 to identify and recognize all performance obligations in a contract, must enable the recognition of the relevant revenue over the period the obligation is fulfilled.

  Results of transition analyses performed by the Group confirmed that the current revenue recognition model is not called into question by the new IFRS 15 provisions. The Group applies the standard retrospectively with effect from January 1, 2018.

  The main points of note identified by the Group's review are detailed below. They have **no impact at the transition date:**

  - **construction business**

  The Group's construction activities are mainly recognized on a completion basis, which complies with IFRS 15 requirements,

  - **Principal-Agent analysis**

    IFRS 15 requires the analysis of service contacts performed on behalf of third parties, to determine whether the Group acts as a principal (recognition of gross revenue) or as an agent (recognition of the margin). Few of the Group's activities are concerned by this provision and primarily combined energy purchase and distribution services. No adjustments were made to the recognition of Group consolidated revenue as a result of analyses performed at the transition date,

  - **installation maintenance and renewal services**

    The Group focused closely on the nature and scope of installation maintenance and renewal services in existing concession arrangements and installation management contracts, in order to determine whether they re-presented a separate performance obligation.

    The majority of current provisions of contracts concerned do not include a specific performance obligation in this respect,

  - **variable compensation**

    IFRS 15 revenue recognition measurement provisions require variable components, such as discounts and rebates, to be estimated on contract inception. Within the Group, contractual agreements with customers may contain various variable remuneration mechanisms (performance bonuses, penalties, discounts, etc.). Recognition methods are, however, consistent with IFRS 15;

- **IFRS 9, Financial Instruments**

  The new financial instruments standard introduces new provisions governing the classification and measurement of financial assets and financial liabilities, impairment of financial assets and accounting for hedge transactions. The Group applies this new standard retrospectively with effect from January 1, 2018.

Classification of financial assets: the Group now adopts a single classification approach for all financial assets, including financial assets containing an embedded derivative, recognizing them at either amortized cost or fair value. Where an embedded derivative exists, the financial asset is classified as a whole and is not broken down. The classification and measurement of financial assets is founded on two criteria: the entity's business model (collection of contractual flows or cash-in through disposal) for managing the financial assets and the contractual cash flow characteristics of the financial asset.

A financial asset may subsequently be reclassified in another category if, and only if, the entity changes its business model for managing the financial assets.

Impairment of financial instruments: the Group applies the new impairment model based on expected credit losses. This model applies to both operating and financial receivables and certain loan commitments and financial guarantee contracts. The impairment represents expected losses over the next twelve months or expected losses over the instrument term, if the credit risk re-presented by the financial instrument has increased significantly since initial recognition. The new standard also provides additional clarification on the presentation of impaired instruments and disclosures.

Analysis work performed by the Group identified the following differences. Their impact compared with prior Group practices is nonetheless immaterial:

- **impairment of trade receivables:** an in-depth review of impairment of trade receivables within the Group was conducted with regard to these new provisions (see Note 5.3.1). As a result, impairment was adjusted based on this new model, with an impact on Equity attributable to owners of the Company, net of tax, of -€26.2 million as of January 1, 2017 and -€28.2 million as of December 31, 2017,
- **accounting for debt swaps:** under the new standard, it is no longer possible to spread the recognition of the difference in value between the initial debt and the new debt. First-time application of these new provisions in the Group's consolidated financial statements impacted consolidated equity in the amount of €5.6 million as of January 1, 2017 and €5.5 million as of December 31, 2017;

- **IFRIC 22, Foreign Currency Transactions and Advance Consideration;**
- **Amendment to IFRS 2** on the classification and measurement of certain share based payment transactions;
- **Amendments resulting from the IFRS annual improvement process (2014-2016 cycle).**

The impact of the first-time application of these texts is not material for the Group.

1.2.3 Texts which enter into mandatory effect after December 31, 2018 and not adopted early by the Group

- **IFRS 16, Leases**

The new leases standard (IFRS 16) published on January 13, 2016, requires the recognition in the balance sheet of all lease commitments as defined in the new standard and does not distinguish between operating leases, currently disclosed in off-balance sheet commitments, and finance leases.

The first-time application of this standard will impact the Group balance sheet as follows:

- increase in non-current assets (recognition of a right-of-use asset),
- recognition of a lease liability (equal to the present value of future lease payments),
- adjustment to deferred tax and shareholders' equity,

due to the recognition for the first time of commitments in respect of operating leases currently within the Group.

In preparation of the first-time application of this standard, the Group set-up a dedicated team responsible for steering and coordinating all departments involved in implementing this standard (finance, operations, purchasing, legal, real estate). The identification and analysis of the leases concerned (around 40,000 contracts) have been completed.

Analyses have focused particularly on the lease terms to be adopted depending on the nature of the lease, existing options within contractual agreements and the implementation of an interest rate methodology enabling the requirements of the new standard to be satisfied.

The standard will be applicable to fiscal year beginning on or January 1, 2019 and will be applied retrospectively, recognizing impacts as of January 1, 2018. Specific exemptions listed for short-term leases (duration shorter or equal twelve months) and low asset-value leases will be applied.

Based on analyses and work performed, the first-time application of this standard will:

- (i) increase Group borrowings between €1.6 and €1.8 billion,
- (ii) induce a positive impact on 2018 EBITDA of around €0.4 billion;

- **IFRS 17, Insurance contracts;**
- **IFRIC 23, Uncertainty over Income Tax Treatments;**
- **Amendment to IFRS 9, Financial Instruments,** regarding prepayment features with negative compensation;

- **Amendment to IAS 28** regarding long-term interests in associates and joint ventures;
- **Amendments resulting from the IFRS annual improvement process (2015-2017 cycle);**
- **Amendment to IAS 19** regarding plan amendments, curtailments and settlements;
- **Amendment to IFRS 3** regarding the definition of a business;
- **Amendments to IAS 1 and IAS 8** regarding the definition of material.

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, 2019. 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)*	As of December 31, 2017	As of December 31, 2018
U.S. Dollar	0.8338	0.8734
Pound sterling	1.1271	1.1179
Chinese renminbi	0.1278	0.1268
Australian dollar	0.6516	0.6165
Polish zloty	0.2394	0.2325
Argentinian Peso	0.0442	0.0232
Mexican Peso	0.0423	0.0445
Brazilian real	0.2517	0.2250
Czech crown	0.0392	0.0389

Average exchange rate *(one foreign currency unit = €xx)*	2017	2018
U.S. Dollar	0.8855	0.8465
Pound sterling	1.1412	1.1304
Chinese renminbi	0.1312	0.1281
Australian dollar	0.6790	0.6328
Polish zloty	0.2349	0.2347
Argentinian Peso	0.0533	0.0304
Mexican Peso	0.0469	0.0440
Brazilian real	0.2773	0.2322
Czech crown	0.0380	0.0390

1.3.1 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 the provisions of IAS 29 from January 1, 2018 for its businesses in Argentina.

Given its presence in Argentina, the application of IAS 29 does not have a material impact on the Group's financial statements for the year ended December 31, 2018.

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 GROUPE 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 regard to Brexit, uncertainties remain as to the terms of the United Kingdom's exit from the European Union and its long-term consequences for Waste activities. The Group's exposure to foreign exchange transaction risk should be limited, as the Group's activities are performed by subsidiaries operating, for the vast majority, in their own countries 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.

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 present future flow assumptions and the discount rates used to measure the recoverable amount of these assets. Sensitivity analyses were also performed on the Goodwill CGUs and are presented in the aforementioned note;
- measuring provisions and the employee benefit obligation as well as contingent assets and liabilities (Notes 6, 10 and 12): Veolia took account of the best estimate of these obligations when measuring these provisions;
- determining the fair value of financial instruments (Note 8.3) including derivatives; Veolia measured these derivative instruments and performed the necessary efficiency tests;
- the amount of deferred tax assets and liabilities and the tax expense recognized (Note 11.2): these balances represent the tax position of the Group and are based, primarily in France and in the United States, on best estimates available to the Group of results of tax audits in progress and trends in future tax results;

- methods used for determining identifiable assets acquired and liabilities assumed in business combinations.

In addition, pursuant to the provisions of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, the Group must exercise judgment in determining whether the criteria for recognizing an asset or group of assets as held for sale are met. Furthermore, discontinued operations are identified with respect to criteria also defined in IFRS 5. These assessments are reviewed at each period end taking account of any changes in facts or circumstances.

Finally, Veolia must make assumptions and judgments when assessing the level of control exercised over certain investments and particularly when defining relevant activities and identifying substantial rights. These judgments are reassessed when the facts and circumstances change.

The Group used the following discount rate calculation methodology for the purpose of these estimates:

- application of IAS 36, Impairment of assets: in accordance with Group practice, the discount rates used correspond to the weighted-average cost of capital, calculated annually. A specific risk premium is included in the calculation of the weighted average cost of capital of entities located in countries outside the euro area and the following euro area countries: Spain, Italy, Portugal and Slovenia;
- application of IAS 37, Provisions, Contingent Liabilities and Contingent Assets: the discount rates used consist of a risk-free interest rate and a risk premium specific to the underlying assets and liabilities;
- application of IAS 19 revised, Employee Benefits: commitments were measured using a range of market indices and, in particular, the Iboxx index and data provided by actuaries. The same method was used year-on-year.

NOTE 3 CONSOLIDATION SCOPE

3.1 Accounting principles related 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

Main acquisitions

Grupo Sala (Colombia)

On May 15, 2018, Veolia Holding America Latina acquired Grupo Sala in Colombia, a group of companies specializing in Waste and Water businesses in Bogota (Colombia), for a consideration of €168 million.

Acquisition of PPC group (Slovakia)

On July 31, 2018, Veolia Energia Slovensko AS acquired the entire share capital of the PPC group, which operates two cogeneration plants in Bratislava, for a financial investment of €135 million.

Acquisition of HCI group (Belgium)

On September 4, 2018, Veolia NV SA purchased the entire share capital of the HCI group of companies specializing in industrial cleaning at the port of Antwerp, for a consideration of €43 million.

Main divestitures

Industrial Services in the United States

On January 19, 2018, Veolia ES North America signed a sales agreement with Clean Harbors for its industrial cleaning business. The transaction was completed on February 23, 2018 for a consideration of US$120 million.

ScVK (Czech Republic)

Veolia Central Europe sold its investment in Severoceske Vodovody a Kanalizace AS to Teplice (northern Bohemia). The sale was completed on December 18, 2018 for a consideration of €75.4 million.

Other transcations with non-controlling interests

Buyout of minority interests in the Czech Republic

On April 26, 2018, Veolia Énergie International SA acquired a 10% stake in Veolia Énergie Ceska Republika a.s., from DCR Investment a.s. for a consideration of €85 million. This acquisition increases Veolia Énergie International SA's stake in Veolia Énergie Ceska Republika a.s. from 73% to 83%.

BVAG

On September 26, 2018, the Group, through its subsidiary, Veolia Stadtwerke BS Beteiligung GmbH, signed an agreement for the sale of 25% of its investment in BVAG to Thüga Investor. Following this transaction, completed for an amount of €146 million, the Group retained control of 51% of the share capital of BVAG.

PVK (Czech Republic)

Veolia Central Europe sold 49% of its investment in Prazske Vodovody a Kanalizace AS to the City of Prague, retaining control of the entity following the transaction, with 51% of the share capital. The sale was completed on September 20, 2018 for a consideration of €69 million.

3.3 Assets classifies as hels for sale, discontinued operations and divestitures

3.3.1 Main changes

Lithuania

There were a number of major events concerning the Vilnius contract in 2017. These are detailed in Note 12 - Contingent assets and liabilities.

The Litesko sales process continued during 2018.

As of December 31, 2018, the ongoing withdrawal from the country led the Group to retain Lithuania in net income from discontinued operations in accordance with IFRS 5.

Gabon

Veolia Africa, through its 51% subsidiary, Société d'Eau et d'Énergie du Gabon (SEEG), managed the production and distribution of drinking water and electricity throughout all Gabon under the terms of a concession agreement signed in 1997 and extended for five years in March 2017.

On February 16, 2018, the Gabonese Republic unilaterally terminated the concession agreement signed with Veolia Africa's subsidiary, SEEG, alleging several reasons including that of general interest.

At the end of the conciliation process, SEEG and Veolia Africa launched arbitration proceedings before the International Centre for Settlement of Investment Disputes (ICSID) (Note 12).

Since March 31, 2018, the cessation of activities in Gabon has led the Group to classify SEEG in net income from discontinued operations in accordance with IFRS 5. The financial statements for the year ended December 31, 2017 were re-presented accordingly to ensure comparability, following the reclassification of the Group's activities in Gabon in "Net income from discontinued operations" in accordance with IFRS 5.

Transdev Group

On December 21, 2016, the Group and Caisse des dépôts et consignations finalized their agreements concerning Transdev Group resulting in an initial immediate divestment by the Group of 20% of the share capital for a consideration of €220 million. The Group's residual 30% stake in Transdev Group continued to be accounted for under the equity method.

The 2016 agreements also granted the Group a put option against Caisse des dépôts et consignations covering its residual stake, available for exercise at the end of a two-year period if it had not sold its investment to a third-party investor. Similarly, Caisse des dépôts et consignations held a call option. The price of this second transaction is based on the initial valuation of €550 million for 50% of the share capital and may be revised in accordance with the adjustment mechanisms set-out in the agreements.

On January 9, 2019, Veolia closed the sale to the German group, Rethmann, of its residual 30% stake in Transdev Group, for a consideration of €340 million, marking the end of its withdrawal from the Transport business. As of December 31, 2018, the Group's residual stake therefore remains recorded in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale and the value of the Group's residual stake is fixed in accordance with the provisions of IFRS 5.

The Group's stake in Transdev Group is recognized in the consolidated financial statements for €304 million.

3.3.2 Discontinued operations

The net loss from discontinued operations for fiscal year 2018 is -€50.6 million, including -€46.4 million in respect of activities in Gabon.

3.3.3 Assets/liabilites 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:

(in € million)	As of December 31, 2017 re-presented	As of December 31, 2018
Assets classified as held for sale	487.3	341.8
Liabilities directly associated with assets classified as held for sale	240.3	19.1

As of December 31, 2018, the main asset and liability categories recorded in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale, break down by operating segment as follows:

(in € million)	France	Europe excluding France(1)	Rest of the world(3)	Global businesses	Other(2)	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

(1) Concerns Group actvities in Lituania.
(2) Trandev Group (see also note 3.3).
(3) All assets in Gabon have been impaired as of December 31, 2018.

As of December 31, 2017, the main asset and liability categories recorded in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale, break down by operating segment as follows:

(in € million)	France	Europe excluding France	Rest of the world	Global businesses	Other	Total
Assets	-	-	-	-	-	-
Non-current assets	-	354.5	36.7	-	-	391.2
Current assets	-	48.6	43.9	-	-	92.5
Cash and cash equivalents	-	2.3	1.3	-	-	3.6
ASSETS CLASSIFIED AS HELD FOR SALE	-	405.4	81.9	-	-	487.3
Liabilities	-	-	-	-	-	-
Non-current liabilities	-	122.9	5.7	-	-	128.6
Current liabilities	-	89.5	22.2	-	-	111.7
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	-	212.4	27.9	-	-	240.3

3.4 Off-balance sheet commitments to the consolidation scope

3.4.1 Commitments given

Off-balance sheet commitments given break down as follows:

(in € million)	As of December 31, 2017	As of December 31, 2018	Maturing in: Less than 1 year	1 to 5 years	More than 5 years
Vendor warranties	706.1	590.7	32.5	30.1	528.1
Securities purchase commitments	170.6	186.7	167.0	19.7	-
Sale commitments	0.3	0.3	0.3	-	-
Other commitments relating to the consolidated scope	16.7	23.0	22.6	-	0.4
TOTAL COMMITMENTS RELATING TO THE CONSOLIDATED SCOPE	893.7	800.7	222.4	49.8	528.5

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 €65.5 million.

The decrease in commitments given between December 31, 2017 and 2018, is mainly due to the expiry of vendor warranties given on the divestiture of the Group's activities in Israel (-€47.7 million) and on the divestiture of American and European wind energy activities (-€28.3 million).

Securities purchase commitments concern current acquisition processes and notably the acquisition of the Levice group for €73.0 million and Renascimiento in Portugal for €43.0 million.

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

3.4.2 Commitments received

Commitments received relating to the consolidated scope total €248.4 million as of December 31, 2018, compared with €290.0 million as of December 31, 2017.

The decrease in commitments received between December 31, 2017 and December 31, 2018 is mainly due to the expiry of vendor warranties received on the acquisition of RGS in North America (-€29.6 million).

NOTE 4 REPORTING BY OPERATING SEGMENT

The operating segments are components of the Group that engage in activities and whose operating results are reviewed by the Group Chairman and Chief Executive Officer (Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and assess its performance. Information presented to the Chief Operating Decision Maker is taken from the Group internal reporting system.

Financial information by operating segment is prepared in accordance with the same rules used to prepare the Consolidated Financial Statements.

In accordance with the provisions of IFRS 8 on the identification of operating segments and after taking account of regrouping criteria, the following segments are presented:

- **France;**
- **Europe excluding France;**
- **Rest of the world;**
- **Global businesses;**
- **Other,** including the various Group holding companies.

The main financial aggregates, in Group share, are also presented for the Chinese 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:

As of December 31, 2018 *(in € million)*	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements	Joint-ventures Data in Group share: Chinese Water concessions
Revenue	5,499.3	9,096.0	6,619.7	4,665.5	30.6	**25,911.1**	789.0
EBITDA	802.0	1,354.1	952.6	272.6	10.7	**3,392.0**	159.8
Operating income after share of net income (loss) of equity-accounted entities	84.4	715.9	581.1	54.6	(16.4)	**1,419.6**	94.4
Industrial investments net of subsidies	(306.4)	(500.1)	(518.4)	(146.1)	(19.4)	**(1,490.4)**	(102.9)

As of December 31, 2017 re-presented(1) *(in € million)*	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements	Joint-ventures Data in Group share: Chinese Water concessions
Revenue	5,414.5	8,504.4	6,312.4	4,558.3	28.8	**24,818.4**	740.5
EBITDA	788.3	1,300.4	875.9	259.8	(7.3)	**3,217.1**	160.0
Operating income after share of net income (loss) of equity-accounted entities	34.6	688.7	503.9	92.2	(56.6)	**1,262.6**	83.7
Industrial investments net of subsidies	(338.5)	(518.1)	(491.7)	(121.9)	(25.3)	**(1,495.5)**	(87.8)

(1) 2017 adjustments concern the reclassification of Gabon in discontinued operations in accordance with IFRS 5 and the impact of IFRS 9 first-time application.

Assets and liabilities break down by operating segment as follows:

As of December 31, 2018 **Assets by operating segment** *(in € million)*	France	Europe excluding France	Rest of the world	Global businesses	Other	**Total consolidated financial statements**	Chinese Water concessions
						Joint ventures data in Group share	
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	1,788.9	5,951.9	3,899.5	692.6	107.5	**12,440.4**	1,910.4
Operating financial assets	122.1	919.4	433.4	11.5	-	**1,486.4**	-
Working capital assets, including DTA	2,832.7	2,748.8	2,467.6	2,662.4	151.0	**10,862.5**	266.9
Investments in joint ventures	5.2	14.6	1,464.9	31.7	0.7	**1,517.1**	-
Investments in associates	0.3	179.8	110.3	77.0	2.8	**370.2**	12.3
TOTAL SEGMENT ASSETS	5,990.9	12,054.7	9,251.2	4,222.5	265.0	31,784.3	2,450.4
Oher unallocated assets	-	-	-	-	5,808.5	5,808.5	(702.4)
TOTAL ASSETS	-	-	-	-	-	37,592.8	1,748.0

As of December 31, 2017 re-presented [(1)] **Assets by operating segment** *(in € million)*	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements	Chinese Water concessions
						Joint-ventures Data in Group share	
Goodwill, net	1,227.5	2,210.4	763.3	711.5	3.0	**4,915.7**	264.0
Intangible assets and Property, Plant and equipment, net	1,896.8	5,615.9	3,500.6	659.6	113.9	**11,786.8**	1,844.3
Operating financial assets	95.3	965.6	540.0	13.2	-	**1,614.1**	6.5
Working capital assets, including DTA	2,413.5	2,677.9	2,342.8	2,580.3	161.6	**10,176.2**	250.3
Investments in joint ventures	5.9	13.8	1,454.2	31.4	0.8	**1,506.1**	-
Investments in associates	-	101.1	126.8	75.8	304.1	**607.8**	12.2
TOTAL SEGMENT ASSETS	5,639.0	11,584.7	8,727.7	4,071.8	583.4	30,606.7	2,377.3
Oher unallocated assets	-	-	-	-	7,672.0	**7,672.0**	(766.1)
TOTAL ASSETS	-	-	-	-	-	38,278.7	1,611.2

(1) 2017 adjustments concern the reclassification of Gabon in discontinued operations in accordance with IFRS 5 and the impact of IFRS 9 first-time application.

As of December 31, 2018 **Liabilities by operating segment** *(in € million)*	France	Europe excluding France	Rest of the world	Global businesses	Other	**Total consolidated financial statements**	Chinese Water concessions
						Joint-ventures Data in Group share	
Concession liabilities	71.6	1,375.3	21.3	0.1	(0.1)	**1,468.2**	31.2
Provisions for contingencies and losses	622.4	565.8	411.9	422.4	297.9	**2,320.4**	28.7
Working capital liabilities, including DTL	3,647.5	2,829.1	2,550.5	2,457.0	523.4	**12,007.5**	769.7
TOTAL SEGMENT LIABILITIES	4,341.5	4,770.2	2,983.7	2,879.5	821.2	15,796.1	829.6
Other unallocated liabilities	-	-	-	-	21,796.7	**21,796.7**	918.4
TOTAL LIABILITIES	-	-	-	-	-	37,592.8	1,748.0

As of December 31, 2017 re-presented(1) Liabilities by operating segment *(in € million)*	France	Europe excluding France	Rest of the world	Global businesses	Other	Total consolidated financial statements	Joint ventures data in Group share Chinese Water concessions
Concession liabilities	78.7	1,278.7	9.5	0.1	-	1,367.0	32.6
Provisions for contingencies and losses	698.9	587.2	520.4	396.3	315.8	2,518.6	27.5
Working capital liabilities, including DTL	3,176.0	2,643.8	2,380.8	2,411.6	475.9	11,088.1	745.8
TOTAL SEGMENT LIABILITIES	3,953.6	4,509.7	2,910.7	2,808.0	791.7	14,973.7	805.9
Other unallocated liabilities	-	-	-	-	23,305.0	23,305.0	805.3
TOTAL LIABILITIES	-	-	-	-	-	38,278.7	1,611.2

(1) 2017 adjustments concern the reclassification of Gabon in discontinued operations in accordance with IFRS 5 and the impact of IFRS 9 first-time application.

The EBITDA indicator reconciles with the operating cash flow, for fiscal years 2018 and 2017, as follows:

(in € million)		As of December 31, 2017 re-presented(1)	As of December 31, 2018
Operating cash flow before changes in working capital	**(A)**	**2,615.2**	**2,670.1**
o/w Operating cash flow from financing activities	(B)	(12.1)	(24.8)
o/w Adjusted operating cash flow	**(C) = (A)-(B)**	**2,627.3**	**2,694.9**
Less:	(D)	-	-
Renewal expenses		272.4	279.8
Share acquisition and disposal costs		19.3	19.5
Restructuring cost and Other*		138.3	262.7
Plus:	(E)	-	-
Principal payments on operating financial assets		159.7	135.1
EBITDA	(C) + (D) + (E)	3,217.1	3,392.0

** 2018 restructuring costs 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. 2017 restructuring costs mainly concerned France Water.*

(1) 2017 adjustments concern the reclassification of Gabon in discontinued operations in accordance with IFRS 5 and the impact of IFRS 9 first-time application.

NOTE 5 OPERATING ACTIVITIES

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

- Water: drinking water treatment and distribution and wastewater treatment;
- Waste management: waste collection, waste-to-energy processing, dismantling and hazardous waste processing;
- energy services: 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 activities, Veolia provides collective general interest services (distribution of drinking water and heating, household waste collection and/or treatment, etc.). These services are generally managed by Veolia under contracts entered into at the request of public sector bodies, which retain control over these collective services.

Concession arrangements involve the transfer of operating rights for a limited period, under the control of the local authority, using dedicated facilities built by Veolia, or made available to it for or without consideration:

- these contracts define "public service obligations" in return for remuneration. The remuneration is based on operating conditions, continuity of service, price rules and obligations with respect to the maintenance/replacement of installations. The contract determines the conditions for the transfer of installations to the local authority or a successor at its term;
- Veolia can, in certain cases, be responsible for a given service as it holds the service support network (water/heat distribution network, wastewater treatment network). Such situations are the result of full or partial privatizations. Provisions impose public service obligations and the means by which the local authority may recover control of the concession holder.

These contracts generally include price review clauses. These clauses are mainly based on cost trends, inflation, changes in tax and/or other legislation and occasionally on changes in volumes and/or the occurrence of specific events changing the profitability of the contract.

In addition, the Group generally assumes a contractual obligation to maintain and repair facilities managed under public service contracts.

The nature and extent of the Group's rights and obligations under these different contracts differ according to the public services rendered by the different Group businesses: Water, Waste, Energy.

Water

Veolia manages municipal drinking water and/or waste water services.

In France, these services are primarily rendered under public service delegation "affermage" contracts with a term of 8 to 20 years. They can use specific assets, such as distribution or wastewater treatment networks and drinking water or wastewater treatment plants, which are generally provided by the concession grantor and returned to it at the end of the contract.

Abroad, Veolia renders its services under contracts which reflect local legislation, the economic situation of the country and the investment needs of each partner. These contracts generally have a term of between 7 and 40 years. Contracts can also be entered into with public entities in which Veolia purchased an interest on their partial privatization. The profitability of these contracts is not fundamentally different from other contracts, but operations are based on a partnership agreement with the local authority.

Waste

Both in France and abroad, the main concession arrangements entered into by Veolia concern the treatment and recovery of waste in sorting units, landfills and incineration. These contracts have an average term of 10 to 30 years.

Energy

Veolia has developed a range of energy management activities: heating and cooling networks, thermal and multi-technical services, industrial utilities, installation and maintenance of production equipment, and integration services for the comprehensive management of buildings.

The main contracts concern the management of heating and air-conditioning networks under urban concessions or on behalf of local authorities.

In Eastern Europe, Veolia provides services under mixed partial privatizations or through public-private partnerships with 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 the service or infrastructure use by customers, when the concession grantor contractually guarantees the payment of amounts specified or determined in the contract or the shortfall, if any, between amounts received from users of the public service and amounts specified or determined in the contract.

Financial assets resulting from the application of IFRIC 12 are recorded in the Consolidated Statement of Financial Position under the heading "Operating financial assets" and recognized at amortized cost.

Unless otherwise indicated in the contract, the effective interest rate is equal to the weighted average cost of capital of the entities carrying the assets concerned.

Cash flows relating to these operating financial assets are included in Net cash from (used in) investing activities in the Consolidated Cash Flow Statement.

Pursuant to IFRS 9, these financial assets are recognized at amortized cost and impaired based on expected losses.

Revenue associated with this financial model includes:

- revenue recognized over time on a completion basis in the case of construction operating financial assets, where one of the criteria is met, or at a point in time by default (in accordance with IFRS 15);
- the remuneration of the operating financial asset (excluding principal repayments);
- service remuneration.

"Intangible asset model"

The intangible asset model applies when the Group is paid by the users and the concession grantor has not provided a contractual guarantee mechanism or where the concession grantor has not provided a contractual guarantee in respect of the contract. The intangible asset corresponds to the right granted by the concession grantor to the operator to charge users of the public service in remuneration of concession services provided by the operator under the concession arrangement.

Intangible assets resulting from the application of IFRIC 12 are recorded in the Consolidated Statement of Financial Position under the heading "Concession intangible assets", as described in Note 1.2.4, and generally amortized on a straight-line basis over the term of the agreement.

Cash outflows, that is disbursements, relating to the construction of infrastructures under concession arrangements accounted using the "intangible asset model" are presented in Net cash from (used in) investing activities in the Consolidated Cash Flow Statement, while cash inflows are presented in Net cash from operating activities.

Under the intangible asset model, Revenue includes:

- revenue recognized on a completion basis for assets and infrastructure under construction, where one of the criteria is met, or at a point in time by default (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 the service or infrastructure use by customers.

However, certain contracts may include a payment commitment on the part of the concession grantor covering only part of the investment, with the remaining balance covered by the remuneration from services charged to users.

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

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

Revenue from these activities is recognized in accordance with 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 build 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"). Where negative, it is recognized in liabilities in "Amounts due to customers for construction contract work" (in "Other operating payables").

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

Service contracts including an asset lease (IFRIC 4)

These contracts generally concern outsourcing services performed for industrial/private customers either under, BOT (Build, Operate and Transfer) contracts, or incineration or cogeneration contracts under which, notably, demand or volume risk is, in substance, transferred to the prime contractor.

Services include the design, construction and financing of the construction of a specific asset/installation on behalf of the customer and the operation of the asset concerned.

These contracts are recognized in accordance with the principles set out in IFRIC 4.

Accordingly, construction revenue is recognized in accordance with the percentage of completion method and, more generally, the principles set out in 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. Variable consideration provided in contracts (rebates, discounts, incentives, performance bonuses, etc.) is assessed to determine the amount of revenue to be recognized.

Maintenance services rarely represent a separate performance obligation in the contracts entered into by the Group with its customers. 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.

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 2018 and fiscal year 2017 presented for comparison purposes (see Note 3.3).

Revenue breaks down as follows:

(in € million)	2017 re-presented	2018
Water	10,807.6	10,894.2
Waste	9,039.9	9,598.5
Energy	4,970.9	5,418.4
GROUP	**24,818.4**	**25,911.1**

A breakdown of Revenue by operating segment 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, 2018, expected revenue is as follows:

(in € million)	Total	2019	2020 and beyond
Backlog	1,383.9	800.8	583.1

5.2 Operating income

Operating income breaks down as follows:

(in € million)	2017 re-presented	2018
Revenue	**24,818.4**	**25,911.1**
Cost of sales	**(20,600.9)**	**(21,671.7)**
o/w:		
• Renewal expenses	(272.4)	(279.8)
Selling costs	**(619.4)**	**(610.3)**
General and administrative expenses	**(2,197.9)**	**(2,141.6)**
Other operating revenue and expenses	**(236)**	**(183.8)**
o/w:		
• Impairment losses on goodwill of fully-consolidated companies	0.1	0.9
• Impairment losses on equity-accounted companies	(1.6)	-
• Restructuring costs	(157.6)	(120.5)
• Employee costs – share based payments	(1.4)	(17.4)
• Other non-current charges, impairment losses and net provisions	(62.0)	(36.7)
• Share acquisition costs	(12.1)	(10.8)
Operating income before share of net income (loss) of equity-accounted entities	**1,164.2**	**1,303.7**
Share of net income (loss) of equity-accounted entities	**98.4**	**115.9**
Operating income after share of net income (loss) of equity-accounted entities	**1,262.6**	**1,419.6**

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.

Impairment losses on non-current assets can be reversed, with the exception of those relating to goodwill.

Non-current charges, impairment losses on non-current assets recognized as of **December 31, 2018** break down as follows:

- impairment losses on intangible assets and property, plant and equipment and operating financial assets of +€27.1 million, 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 -€58.0 million, particularly in the following operating segments:
  - France, in the amount of -€5.6 million,
  - Europe excluding France, in the amount of -€7.2 million,
  - Global businesses, in the amount of -€16.1 million,
  - the Rest of the world, in the amount of -€27.1 million.

The main impairment losses on non-current assets recognized as of December 31, 2017 break down as follows:

- impairment losses on goodwill of -€1.5 million;
- impairment losses on intangible assets and property, plant and equipment of -€37.4 million, recognized particularly in the following operating segments:
  - France in the amount of -€15.5 million,
  - Rest of the world in the amount of -€10.2 million,
  - Global businesses in the amount of -€15.0 million.

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More generally, operating depreciation, amortization, provisions and impairment losses included in operating income in **2018** break down as follows:

	2017 re-presented			2018
(in € million)	Net	Charge	Reversal	Net
OPERATING DEPRECIATION, AMORTIZATION AND PROVISIONS, NET	-	-	-	-
Depreciation and amortization	**(1,517.1)**	**(1,569.5)**	**0.3**	**(1,569.2)**
Property, Plant and equipment*	(922.8)	(960.8)	0.3	(960.5)
Intangible assets	(594.3)	(608.7)	-	(608.7)
Impairment losses	**(39.4)**	**(84.4)**	**111.6**	**27.2**
Property, Plant and equipment	(23.1)	(44.4)	65.0	20.6
Intangible assets and Operating financial assets	(16.3)	(40.0)	46.6	6.6
Impairment losses and impact of disposals on goodwill and negative goodwill recognized in the Consolidated Income Statement	**(1.4)**	**0.9**	**-**	**0.9**
Non-current and current operating provisions	**76.4**	**(517.0)**	**658.7**	**141.7**
Non-current operating provisions	22.3	(314.8)	324.4	9.6
Current operating provisions	54.1	(202.2)	334.3	132.1
OPERATING DEPRECIATION, AMORTIZATION, PROVISIONS AND IMPAIRMENT LOSSES	(1,481.5)	(2,170.0)	770.6	(1,399.4)

* *Including investment grants*

5.2.2 Restructuring costs

A restructuring is a program planned and controlled by Group management that significantly changes the scope of activity of the Group or the way in which this activity is managed. Accordingly, the following events can meet the definition of a restructuring:

- the sale or discontinuation of an activity branch;
- the closure of activity sites in a country or a region or the relocation of activities from one country to another or from one region to another;
- changes to the management structure such as the suppression of a management level;
- and fundamental reorganizations with a significant impact on the nature and focus of an activity.

(in € million)	2017 re-presented	2018
Restructuring costs	(124.5)	(205.3)
Net charges to restructuring provisions	(33.1)	84.8
RESTRUCTURING COSTS	(157.6)	(120.5)

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.

Restructuring costs recognized in operating income in 2017 mainly concern France Water in the amount of -€78.1 million, VWT in the amount of -€24.6 million and the Energy business in Italy in the amount of -€8.6 million.

5.2.3 Research and development costs

Research and development costs total €54.2 million in 2018 and €60.2 million in 2017.

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.

(in € million)	2017 re-presented	2018
Share of net income (loss) of joint ventures	63.5	71.7
Share of net income (loss) of associates	34.9	44.2
Share of net income (loss) of equity-accounted entities	**98.4**	**115.9**

5.2.4.1 Joint ventures

Movements in investments in joint ventures in 2018 break down as follows:

(in € million)	As of December 31, 2017	Net income	Dividend distribution	Change in consolidation scope	Foreign exchange translation	Other mouvements	As of December 31, 2018
Joint ventures	**1,506.1**	71.7	(46.2)	(8.4)	(7.7)	1.6	**1,517.1**

	Share of Equity		Share of net income (loss)	
(in € million)	As of December 31, 2017 re-presented	As of December 31, 2018	2017 re-presented	2018
Chinese concessions	1,351.1	1,352.2	44.5	55.4
Other joint ventures	155.0	164.9	19.0	16.3
TOTAL	1,506.1	1,517.1	63.5	71.7
Impact in the Consolidated Income Statement on Net income from continuing operations (a)+(b)			63.5	71.7
Share of net income (loss) of joint ventures (a)			**63.5**	**71.7**
Impairment losses recognized in other operating revenue and expenses (b)			-	-

Chinese concessions

As of December 31, 2018, 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.

Summarized financial information (at 100%) – Chinese Concessions *(in € million)*	As of December 31, 2017	As of December 31, 2018
Current assets	1,293.2	1,515.7
Non-current assets	5,365.6	5,734.6
TOTAL ASSETS	**6,658.8**	**7,250.3**
Equity attributable to owners of the Company	3,075.2	3,110.1
Equity attributable to non-controlling interests	329.3	400.9
Current liabilities	2,085.8	2,449.6
Non-current liabilities	1,168.5	1,289.7
TOTAL EQUITY AND LIABILITIES	**6,658.8**	**7,250.3**
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	639.0	805.2
Current financial liabilities (excluding trade and other payables and provisions)	573.2	805.4
Non-current financial liabilities (excluding trade and other payables and provisions)	543.7	665.2
Income statement	-	-
Revenue	2,113.4	2,336.9
Operating income	230.6	266.0
Net income (loss) from continuing operations	139.7	176.4
Post-tax net income (loss) from discontinued operations	-	-
Net income (loss) attributable to non-controlling interests	(22.0)	(26.2)
Net income (loss) attributable to owners of the Company at the Chinese Water concessions level	117.7	150.1
Net income (loss) for the year	139.7	176.4
Other comprehensive income for the year	(227.0)	(35.4)
Total comprehensive income for the year	(87.3)	140.9
The above net income (loss) for the year includes the following:		
Depreciation and amortization	(197.7)	(172.5)
Interest income	9.6	11.3
Interest expense	(46.2)	(52.7)
Income tax (expense) income	(56.4)	(54.1)
Dividends		
Dividends received from the joint venture	26.2	26.0

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:

(in € million)	As of December 31, 2017	As of December 31, 2018
Net assets of the Chinese concession joint ventures	3,075.2	3,110.1
Proportion of the Group's ownership interest in the Chinese concession joint ventures – weighted-average rate	37.86%	37.48%
Goodwill	239.6	236.5
Other adjustments	(52.8)	(50.0)
Carrying amount of the Group's interest in the Chinese concession joint ventures	**1,351.1**	**1,352.2**

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 increase in the weighted average rate between 2018 and 2017 is due to a change in the weightings of the contributions and not to a change in percentage interests in the various concessions.

Accordingly, the "Other adjustments" line in the reconciliation of the summarized financial information on the Chinese Water concessions as a whole, to their carrying amount in the Consolidated Statement of Financial Position, represents the adjustment between the share in net assets obtained by applying the weighted average percentage interest for all Chinese Water concessions and the share in net assets recognized in the financial statements, calculated using the effective interest held in each of the Chinese Water concessions individually.

(in € million)	2017 re-presented	2018
Net income (loss) for the year of the Chinese concession joint ventures	117.7	150.1
Proportion of the Group's ownership interest in the Chinese concession joint ventures – weighted-average rate	37.86%	37.48%
Other	(0.1)	(0.9)
Group share of net income (loss) of the Chinese concession joint ventures	**44.5**	**55.4**

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 operational 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 €164.9 million as of December 31, 2018.

Unrecognized share of losses of joint ventures

As all the Group joint ventures are partnerships in which the Group exercices joint control, the share of any losses is recognized in full at the year-end.

Transactions with joint ventures

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, 2018 and 2017, non-current and current loans granted to all these entities, totaled €132.0 million and €117.4 million, respectively. The loans were mainly granted to the Chinese Water concessions in the amount of €77.1 million and €65.6 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 agreement (generally fully consolidated).

5.2.4.2 Investments in associates

The decrease in investments in associates in **2018** breaks down as follows:

(in € million)	As of December 31, 2017	Net income	Dividend distribution	Change in consolidation scope	Foreign exchange translation	Other mouvements	As of December 31, 2018
Investments in associates	**607.8**	44.2	(64.4)	15.2	(4.3)	(228.3)	**370.2**

(in € million)	Share of equity: As of December 31, 2017	Share of equity: As of December 31, 2018	Share of net income(loss): 2017	Share of net income(loss): 2018
Transdev group	304.0	-	22.8	-
Fovarosi Csatomazasi Muvek*	-	78.2	(0.4)	(0.2)
Siciliacque	58.5	58.9	-	-
Other non-material associates	245.3	233.1	33.7	44.4
TOTAL	607.8	370.2	56.1	44.2
Impacts on the Consolidated Income Statement				
Share of net income (loss) of equity-accounted entities in continuing operations			**34.9**	**44.2**
Impairment losses recognized in other operating revenue and expenses **			(1.6)	-
Share of net income (loss) of other equity-accounted entities			22.8	-

* *Reclassified in continuing activities as of December 31, 2018.*
** *Impairment of goodwill in respect of other associates.*

It is recalled that the Group's investment in Transdev Group did not represent an extension of the Group's businesses as defined by the recommendation issued by the French Accounting Standards Authority (*Autorité des Normes Comptables*, ANC) on April 4, 2013, as the Group's continued aim was to withdraw from the transportation business. It was classified as an associate as of December 31, 2017 and transferred to Assets classified as held for sale as of December 31, 2018, as disclosed in Note 3.3.3.

It is recorded in the amount of €304.0 million as of December 31, 2018.

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 assesses expected credit losses based on past default rates per customer category, current terms and forecast future economic conditions.

Trade payables are recognized as liabilities at amortized cost in accordance with IFRS 9 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 **2018** are as follows:

(in € million)	As of December 31, 2017 re-presented	Change in business	Impairment losses	Changes in scope of consolidation	Foreign exchange translation	Other movements	As of December 31, 2018
Inventories and work-in-progress, net	721.6	96.6	1.8	5.4	(3.4)	(4.0)	818.0
Operating receivables, net	8,489.5	558.6	21.2	(12.0)	(7.2)	(33.8)	9,016.3
Operating payables	(10,118.0)	(905.5)	-	22.6	24.6	11.5	(10,964.9)
NET WORKING CAPITAL	(906.9)	(250.3)	23.0	16.0	14.0	(26.3)	(1,130.6)

Movements in each of these working capital categories in **2018** are as follows:

(in € million)	As of December 31, 2017 re-presented	Changes in business	Impairment losses	Change in consolidation scope	Foreign exchange transla-tion	Transfers to Assets/ liabilities classified as held for sale	Other movements	As of December 31, 2018
Inventories and work-in-progress, net	721.6	96.6	1.8	5.4	(3.4)	0.1	(4.1)	818.0
Operating receivables (including tax receivables other than current tax)	8,288.6	592.2	20.7	(32.3)	(5.9)	(10.3)	(18.7)	8,834.3
Operating liabilities (including operating liabilities other than current tax)	(9,812.0)	(773.0)	-	21.8	21.3	(2.6)	12.9	(10,531.6)
OPERATING WORKING CAPITAL[1]	(801.8)	(84.2)	22.5	(5.1)	12.0	(12.8)	(9.9)	(879.3)
Tax receivables (current tax)	190.0	(33.5)	-	11.4	(1.4)	-	(6.1)	160.4
Tax payables (current tax)	(126.6)	(5.3)	-	0.6	1.9	-	6.4	(123.0)
TAX WORKING CAPITAL	63.4	(38.8)	-	12.0	0.5	-	0.3	37.4
Receivables on non-current assets disposals	10.9	(0.1)	0.5	8.9	-	-	1.4	21.6
Industrial investment payables	(179.4)	(127.2)	-	0.2	1.5	0.1	(5.4)	(310.3)
INVESTMENT WORKING CAPITAL	(168.5)	(127.3)	0.5	9.1	1.5	0.1	(4.0)	(288.7)
NET WORKING CAPITAL	(906.9)	(250.3)	23.0	16.0	14.0	(12.7)	(13.6)	(1,130.6)

(1) The change in working capital presented in the Consolidated Cash Flow Statement is equal to the sum of operating working capital changes in business activity and impairment losses on operating working capital presented above.

Movements in inventories during **2018** are as follows:

Stocks *(in € million)*	As of December 31, 2017 re-presented	Changes in busi-ness	Impairment losses	Reversal of impairment losses	Change in consolidation scope	Foreign exchange transla-tion	Transfers to Assets/ liabilities classified as held for sale	Other move-ments	As of December 31, 2018
Raw materials and supplies	511.1	84.2	-	-	(4.1)	(2.6)	0.1	(2.1)	586.6
Work-in-progress	180.1	2.6	-	-	4.8	-	-	-	187.5
Other inventories[1]	91.7	9.8	-	-	5.1	(1.3)	-	(1.6)	103.8
INVENTORIES AND WORK-IN-PROGRESS, GROSS	782.9	96.6	-	-	5.8	(3.9)	0.1	(3.7)	877.8
IMPAIRMENT LOSSES ON INVENTORIES AND WORK-IN-PROGRESS	(61.3)	-	(29.2)	31.0	(0.4)	0.5	-	(0.4)	(59.8)
INVENTORIES AND WORK-IN-PROGRESS, NET	721.6	96.6	(29.2)	31.0	5.4	(3.4)	0.1	(4.1)	818.0

(1) Including CO_2 inventories.

Inventories mainly concern Europe excluding France operating segment in the amount of €414.8 million, the Global businesses operating segment in the amount of €156.6 million and the Rest of the world operating segment in the amount of €145.1 million.

Movements in operating receivables during **2018** are as follows:

Operating receivables *(in € million)*	As of December 31, 2017 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 move-ments	As of December 31, 2018
Trade receivables	6,912.2	438.8	-	-	(43.6)	(11.4)	(2.5)	(184.1)	7,109.4
Impairment losses on trade receivables	(792.1)	-	(136.9)	139.1	15.4	0.9	(0.3)	1.2	(772.7)
TRADE RECEIVABLE, NET(2)	6,120.1	438.8	(136.9)	139.1	(28.2)	(10.5)	(2.8)	(182.9)	6,336.7
Other current operating receivables	571.8	113.9	-	-	17.2	2.7	(7.7)	164.5	862.4
Impairment losses on other current operating receivables	(93.4)	-	(2.6)	21.5	-	0.3	-	-	(74.2)
OTHER OPERATING RECEIVABLES, NET	478.4	113.9	(2.6)	21.5	17.2	3.0	(7.7)	164.5	788.2
Other receivables(2)	782.9	8.7	(0.1)	0.2	(7.5)	8.1	0.1	1.0	793.4
Tax receivables	1,108.1	(2.8)	-	-	6.5	(7.8)	-	(6.0)	1,098.0
OPERATING RECEIVABLES, NET	8,489.5	558.6	(139.6)	160.8	(12.0)	(7.2)	(10.4)	(23.4)	9,016.3

(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 **2018** are as follows:

Operating payables *(in € million)*	As of December 31, 2017 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, 2018
Trade payables	4,218.7	517.1	7.6	(3.5)	3.0	5.3	4,748.2
Other current operating liabilities	4,009.2	205.4	(26.9)	(13.0)	(0.5)	65.3	4,239.5
Other liabilities(1)	886.2	56.2	(10.8)	(1.0)	-	(77.4)	853.2
Tax and employee-related liabilities	1,003.9	126.8	7.6	(7.2)	-	(7.1)	1,124.0
OPERATING PAYABLES	10,118.0	905.5	(22.6)	(24.6)	2.5	(14.0)	10,964.9

(1) Primarily deferred income.

5.3.2 Working capital management transactions

Veolia had several programs for the assignment of receivables through factoring, discounting and assignment by way of security, still in progress in 2018.

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 IFRS 9 led the Group to derecognize almost all the receivables assigned under these factoring programs. In addition, the transferor subsidiaries remain, in certain cases, responsible for invoicing and debt recovery, for which they receive remuneration but do not retain control.

Accordingly, receivables totaling €2,882.4 million were assigned under these programs (revolving) in 2018, compared with €2,507.5 million in 2017. Receivables derecognized as of December 31, 2018 total €640.2 million, compared with €498.8 million as of December 31, 2017.

Discounting and assignment by way of security

Under Public-Private partnerships, Veolia subsidiaries can assign the fraction of future payments guaranteed by public authorities/private customers (recognized in financial receivables pursuant to IFRIC 12 or IFRIC 4-IAS 17) to the bodies funding the project, through discounting or assignment by way of security programs (such as Dailly programs in France). For the majority of partnerships concerned by these financial receivable assignments, the assignment agreements negotiated and the contractual clauses agreed between the stakeholders are sufficient to satisfy the derecognition criteria set out in 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 €52.4 million and finance lease obligations maturing in 2025 and 2026 of €53.3 million are recognized in Veolia's balance sheet as of December 31, 2018 in respect of these contracts (€58.8 million and €59.8 million, respectively, as of December 31, 2017).

In 2018, the Group also assigned tax credits totaling €148.7 million (Competitiveness and Employment tax credit and Research tax credit), through discounting, compared with €68.8 million. These receivables were derecognized in the Statement of Financial Position at the end of 2018.

5.4 Non-current and current operating financial assets

Operating financial assets comprise financial assets resulting from the application of IFRIC 12 on accounting for concession arrangements and from the application of IFRIC 4 on accounting for leases.

Concession arrangements

Pursuant to IFRIC 12, when the operator has an unconditional right to receive cash or another financial asset from the grantor in remuneration for concession services, the financial asset model applies. In this context, the infrastructures managed under these contracts cannot be recorded in assets of the operator as property, plant and equipment, but are recorded as financial assets.

Investment grants received in respect of concession arrangements are generally definitively earned and, therefore, are not repayable. In accordance with the option offered by IAS 20, these grants are presented as a deduction from intangible assets or financial assets depending on the applicable model following an analysis of each concession arrangement (IFRIC 12). Under the financial asset model, investment grants are equated to a means of repaying the operating financial asset.

During the construction phase, a financial receivable is recognized in the Consolidated Statement of Financial Position and revenue 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 are held 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

IFRIC 4 seeks to identify the contractual terms and conditions of agreements which, without taking the legal form of a lease, convey a right to use a group of assets in return for payments included in the overall contract remuneration. It identifies in such agreements a lease contract which is then analyzed and accounted for in accordance with the criteria laid down in IAS 17, based on the allocation of the risks and rewards of ownership between the lessor and the lessee.

The contract operator therefore becomes the lessor with respect to its customers. Where the lease transfers the risks and rewards of ownership of the asset in accordance with IAS 17 criteria, the operator recognizes a financial asset to reflect the corresponding financing, rather than an item of property, plant and equipment.

Movements in the net carrying amount of non-current and current operating financial assets during **2018** are as follows:

(in € million)	As of December 31, 2017 re-presented	New operating financial assets	Repay-ments/ disposals	Impair-ment losses	Changes in consoli-dation scope	Foreign exchange translation	Non-current/ Current reclassification	Other move-ments	As of December 31, 2018
Gross	1,498.5	167.3	(16.9)	-	0.3	(5.2)	(111.8)	(68.7)	1,463.5
Impairment losses	(81.7)	-	-	5.2	-	0.1	-	-	(76.4)
NON-CURRENT OPERATING FINANCIAL ASSETS	1,416.8	167.3	(16.9)	5.2	0.3	(5.1)	(111.8)	(68.7)	1,387.1
Gross	207.9	-	(118.3)	-	(104.3)	(0.3)	111.8	5.2	102.0
Impairment losses	(10.6)	-	-	7.8	-	0.1	-	-	(2.7)
CURRENT OPERATING FINANCIAL ASSETS	197.3	-	(118.3)	7.8	(104.3)	(0.2)	111.8	5.2	99.3
NON-CURRENT AND CURRENT OPERATING FINANCIAL ASSETS	1,614.1	167.3	(135.2)	13.0	(104.0)	(5.3)	-	(63.5)	1,486.4

The principal **new** operating financial assets in 2018 mainly concern the increase in financial receivables for pre-existing contracts, in particular in the following operating segments:

- the Rest of the world, in the amount of €44.8 million, primarily following investments in Korea of €26.8 million;
- Europe excluding France, in the amount of €69.3 million, primarily following investments in Germany under the Braunschweig contract of €33.0 million.

The **principal repayments and disposals** of operating financial assets in 2018 concern the following operating segments:

- Europe excluding France, in the amount of -€61.6 million;
- the Rest of the world, in the amount of -€45.5 million;
- France, in the amount of -€25.4 million.

Changes in consolidation scope concern the cessation of the Group's activities in Gabon in the amount of -€104.3 million (see Note 3.3).

Operating financial assets held by the Group in countries considered high-risk by the International Monetary Fund are not material in amount.

Breakdown of operating financial assets by operating segment:

	As of December 31,					
	Non current		Current		Total	
(in € million)	2017 re-presented	2018	2017 re-presented	2018	2017 re-presented	2018
France	90.5	114.6	4.8	7.5	95.3	122.1
Europe excluding France	915.9	870.7	49.7	48.7	965.6	919.4
Rest of the world	399.5	392.6	140.5	40.8	540.0	433.4
Global businesses	10.9	9.2	2.3	2.3	13.2	11.5
Other	-	-	-	-	-	-
OPERATING FINANCIAL ASSETS	1,416.8	1,387.1	197.3	99.3	1,614.1	1,486.4

Changes in current operating financial assets in the Rest of the world segment concern the impact of Gabon, which is no more consolidated, as explained above.

IFRIC 4 operating financial assets maturity schedule:

(in € million)	1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
France	-	-	-	-	-
Europe excluding France	19.2	31.1	27.4	26.4	104.1
Rest of the world	24.8	17.2	11.2	183.3	236.5
Global businesses	2.3	3.9	3.7	1.5	11.4
Other	-	-	-	-	-
TOTAL	46.3	52.2	42.3	211.2	352.0

IFRIC 12 operating financial assets maturity schedule:

(in € million)	1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
France	7.5	66.8	23.4	24.4	122.1
Europe excluding France	29.4	232.2	93.7	460.0	815.3
Rest of the world	16.1	33.9	48.8	98.2	197.0
Global businesses	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	53.0	332.9	165.9	582.6	1,134.4

5.5 Non-current and current concession liabilities

Concession financial liabilities result from the application of IFRIC12 on the accounting treatment of concessions (see note 5).

Non-current and current concession liabilities in **2018** break down, by operating segment, as follows:

	Non current		Current		Total	
(in € million)	2017 re-presented	2018	2017 re-presented	2018	2017 re-presented	2018
France	68.4	56.2	10.3	15.4	78.7	71.6
Europe excluding France	1,205.7	1,288.9	73.0	86.4	1,278.7	1,375.3
Rest of the world	7.1	5.3	2.4	16.0	9.5	21.3
Global businesses	-	-	0.1	0.1	0.1	0.1
Other	-	-	-	-	-	-
OPERATING FINANCIAL ASSETS	1,281.2	1,350.4	85.8	117.9	1,367.0	1,468.3

5.6 Commitments relating to operating activities

5.6.1 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 sites security and designed for optimal environmental protection), which take into account the progressive nature of the obligation: operation of the landfill sites results in progressive damage to the site and, as such, a related liability is recognized as the facility is operated (see Note 10).

If the amount of the commitment is less than the provision at the balance sheet date, an off-balance sheet commitment is not disclosed. Conversely, if the amount of the commitment is greater than the provision, an off-balance sheet commitment is disclosed in the amount not provided;

- commitments related to engineering and construction activities:

  Commitments relating to engineering and construction activities primarily comprise commitments given and received in respect of Veolia Water Technologies construction activities. Commitments given in respect of the five main contracts account for approximately 54.7% of Veolia Water Technologies total commitments;

- commitments relating to concession arrangements:

  Pursuant to public service contracts with a public entity, the Group may be called on/obliged to invest in infrastructures that will then be operated and remunerated in accordance with contractual terms and conditions.

  The contractual commitment may concern both the financing of installations and infrastructures to be used in operations and also the maintenance and replacement of infrastructures necessary to operations.

  Expenditure relating to the replacement or rehabilitation of installations is monitored and recognized through any timing differences between the total contractual commitment over the contract term and its realization, in accordance with IAS 37 on Provisions.

  Expenditure relating to the construction, maintenance and restoration of concession assets is reviewed with respect to IFRIC 12 and detailed in Note 5.5;

- firm commodity purchase and sale commitments:

  As part of supply management and cost optimization, certain Group subsidiaries may be required, depending on their activities, to set-up derivatives to fix the cost of commodity supplies where the contracts do not offer appropriate protection or contract forward purchases or sales of commodities.

  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 five years,
  - electricity in Energy activities (purchase commitments mature in less than three years due to poor liquidity in the electricity market for longer maturities),
  - biomass and coal in Energy activities.

In parallel, firm electricity sales contracts, excluding derivatives, are entered into to secure selling prices over a period of less than three years. These commitments concern production activities exposed to the electricity wholesale market and primarily Waste activities in the UK (electricity produced by waste incineration) and Energy activities in Central Europe.

Off-balance sheet commitments given break down as follows:

(in million)	As of December 31, 2017	As of December 31, 2018	Maturing in: Less than 1 year	1 to 5 years	More than 5 years
Operational guarantees including performance bonds	7,941.9	7,982.3	7,982.3	2,112.1	1,809.1
Purchase commitments	146.4	204.4	151.5	49.3	3.6
TOTAL COMMITMENTS RELATING TO OPERATING ACTIVITIES	**8,088.3**	**8,186.7**	**4,212.6**	**2,161.4**	**1,812.7**

Commitments given break down by operating segment as follows:

(in € million)	As of December 31, 2017	As of December 31, 2018
France	221.1	230.4
Europe excluding France	1,296.9	1,406.2
Rest of the world	1,489.2	1,474.1
Global businesses	2,488.1	2,452.3
Other	2,593.0	2,623.7
TOTAL COMMITMENTS RELATING TO OPERATING ACTIVITIES	8,088.3	8,186.7

The increase in commitments given between December 31, 2017 and December 31, 2018 (+€98.4 million) mainly concerns the Az Zour North project in VWT (+€106.0 million), water treatment and waste contracts in Ringsend in the United Kingdom (+€32.6 million), the Springvale contract in Australia (+€24.6 million) and the Arcelor contract in Fos (+€25.0 million), as well as foreign exchange translation impacts (+€71.1 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.

These commitments are limited to the duration of the related contracts and were approved in advance by the Board of Directors of Veolia Environnement.

Total commitments given in respect of construction activities of Veolia Water Technologies amount to €2,037.5 million as of December 31, 2018, compared with €2,039.0 million as of December 31, 2017.

Commitments given in respect of joint ventures (at 100%) total €600.2 million as of December 31, 2018 compared with €593.3 million as of December 31, 2017 and mainly consist of performance bonds given to Al Wathba VB in the amount of €406.8 million and to Glen Water Holding in the amount of €73.6 million.

5.6.2 Commitments received

These commitments mainly consist of commitments received from our partners in respect of construction contracts.

They total €1,054.6 million as of December 31, 2018, compared with €1,035.7 million as of December 31, 2017.

Total commitments received in respect of Veolia Water Technologies activities amount to €511.0 million as of December 31, 2018, compared with €518.6 million as of December 31, 2017.

NOTE 6 PERSONNEL COSTS AND EMPLOYEE BENEFITS

6.1 Personnel costs and employee numbers

Personnel costs break down as follows:

(in € million)	2017 re-presented	2018
Employee costs	(6,950.8)	(7,149.4)
Profit-sharing and incentive schemes	(118.4)	(114.0)
Share-based compensation (IFRS 2)*	(9.0)	(18.8)
PERSONNEL COSTS	(7,078.2)	(7,282.2)

* *Share-based compensation concerns the plans described in 6.2. In 2018, the Management Incentive Plan expired and the Group set-up several share-based compensation plans (Group savings plan, performance share grant plan, free share grant plan).*

Average consolidated employees* break down as follows:

By operating segment	2017	2018
France	30,779	30,882
Europe excluding France	57,598	57,701
Rest of the world	46,862	52,630
Global businesses	27,252	27,731
Other	1,894	1,875
CONSOLIDATED EMPLOYEES*	164,385	170,819

By company	2017	2018
Fully-consolidated companies	164,325	170,722
Joint operations	60	97
CONSOLIDATED EMPLOYEES*	164,385	170,819

* *Consolidated employees, excluding employees of equity-accounted subsidiaries.*

6.2 Share-based compensation

6.2.1 Accounting principles

Pursuant to IFRS 2, Share-based Payment, an expense is recorded in respect of share purchase or subscription plans and other share-based compensation granted by the Group to its employees. When the plans are equity-settled, the fair value of these plans at the grant date is expensed in the Consolidated Income Statement and recognized directly in equity in the period in which the benefit vests and the service is rendered.

For share grant plans, fair value 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 Employee savings plans

Veolia Environnement regularly sets up, through Group Savings Pans (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.

No savings plans were set up in 2017.

In 2018, Veolia proposed a new Group employee share ownership transaction, rolled-out across 29 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 subscription price date set by the Chief Executive Officer. The subscription price was set at €15.28.

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 €500. 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 2, 2018 and the share price on December 14, 2018, while benefiting from a contribution from the Group capped at GBP 350.

On September 20, 2018, the Group issued 2,228,518 new shares under the Group Savings Plan, representing a share capital increase of €34 million.

In 2018, an expense of €14.2 million is recorded in operating income and includes a discount for non-transferability of €5.6 million.

6.2.3 Management Incentive Plan

In October 2014, the Group introduced a long-term incentive plan, the "Management Incentive Plan" (MIP), for the Group's top executives (including the Chief Executive Officer and Executive Committee members).

This plan was based on a joint investment approach with a personal investment by the beneficiary in the Company's shares, accompanied by the grant, subject to performance conditions, of an "additional" share bonus financed by the Group (primarily through the grant of treasury shares held by the Company).

The initial investment by the beneficiary gave rise to a limited guarantee representing 80% of the value of the investment (excluding any taxes or duties payable by the beneficiary), except for the Chief Executive Officer and Executive Committee members.

The share bonus, granted in three tranches, was tied to the achievement of performance criteria (increase in the share price compared with the acquisition price on initial investment and current net income attributable to owners of the Company per share) determined at three dates (March 2016, March 2017 and March 2018) relating to the publication of the Company's 2015, 2016 and 2017 annual accounts. The three tranches did not vest until expiry of the plan in April 2018, subject to the confirmation at this date of the presence of the beneficiaries concerned and the retention by them of the shares initially invested.

All performance conditions were achieved.

The impact of the MIP is recorded in operating income and is not material in 2018.

6.2.4 Performance Share Grant Plan

In 2018, the Group set-up a performance share grant plan (PSP) for approximately 700 top executives and high potential employees, subject to the beneficiary's presence in the Group at the vesting date on May 2, 2021 and a performance condition.

The number of shares that vests will depend on the average three years growth target for current net income-Group share per share, as published in the Group's consolidated financial statements during the reference period pertaining to fiscal years 2018, 2019 and 2020, based on fiscal year 2017. As of December 31, 2018, 1,669,973 shares may potentially be granted, before consideration of achievement of the performance condition.

The fair value is €15.14.

The performance and presence conditions are taken into account in calculating the number of instruments and the compensation expense.

An expense of €4.4 million is recorded in operating income in 2018.

6.2.5 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 also required to hold the shares for a period of two years from the vesting date, that is until May 2, 2021.

The fair value, taking accounting of the discount for non-transferability, is €16.69.

An expense of €0.8 million is recorded in operating income in 2018.

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 same currency and 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 €93 million in 2018 and €87 million in 2017.

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 €1,019.2 million as of December 31, 2018 (compared with €1,112.6 million as of December 31, 2017) and is funded by plan assets of €990.6 million at this date (compared with €1,073.3 million as of December 31, 2017). 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 €413.2 million as of December 31, 2018 (€409.4 million as of December 31, 2017) and is funded by plan assets of €82.0 million at this date (€89.6 million as of December 31, 2017). 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 Group seniority and are legally required by the applicable collective-bargaining agreement to be paid on an employee's retirement. A portion of these obligations is covered by insurance contracts, but this funding is at the discretion of the employer. The average duration of these plans is approximately 12 years.

The risk associated with this type of plan is legislative risk, in terms of potential adjustments to redundancy payments to which retirement indemnities are linked in certain collective bargaining agreements. Furthermore, the renegotiation of collective bargaining agreements could also generate adjustments to indemnities granted.

Multi-employer plans

Under collective agreements, some Group companies participate in multi-employer defined benefit pension plans. However, these plans are unable to provide a consistent and reliable basis for the allocation of the obligation, assets and costs between the different participating entities. They are therefore recorded as defined contribution plans in accordance with IAS 19. The multi-employer plans concern approximately 1,800 employees in 2018 and are mainly located in Germany, where such plans are generally funded by redistribution.

The corresponding expense recorded in the Consolidated Income Statement is equal to annual contributions and totals approximately €7 million in 2018 compared with €6 million in 2017.

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, 2017	As of December 31, 2018
Discount rate	**2.25%**	**2.46%**
United Kingdom	*2.55%*	*2.90%*
Euro zone	*1.75%*	*1.85%*
Inflation rate	**2.36%**	**2.32%**
United Kingdom (RPI/CPI)	*3,10% / 2,10%*	*3,15% / 2,15%*
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 *(in € million)*	2017 re-presented	2018	2017 re-presented	2018	2017 re-presented	2018	2017 re-presented	2018
Defined benefit obligation at beginning of year	**1,187.9**	**1,112.6**	**412.5**	**409.4**	**541.1**	**492.7**	**2,141.5**	**2,014.7**
Current service cost	3.6	3.8	21.3	19.9	20.5	21.5	45.4	45.2
Plan amendments or new plans (contract wins)	-	6.7	2.3	2.7	(0.6)	(0.8)	1.7	8.6
Curtailments and settlements	(16.8)	(30.7)	(8.5)	(3.4)	(24.0)	(10.7)	(49.3)	(44.8)
Interest cost	29.9	27.9	4.5	6.2	8.5	8.2	42.9	42.3
Actuarial (gains) losses	(10.9)	(50.9)	(6.7)	(3.4)	(8.2)	(9.0)	(25.8)	(63.3)
o/w actuarial (gains) losses arising from experience adjustments	*(23.0)*	*3.6*	*(7.4)*	*(2.2)*	*12.8*	*4.9*	*(17.6)*	*6.3*
o/w actuarial (gains) losses arising from changes in demographic assumptions	*(7.7)*	*(7.3)*	*0.2*	*2.0*	*0.3*	*(2.2)*	*(7.2)*	*(7.5)*
o/w actuarial (gains) losses arising from changes in financial assumptions	*19.8*	*(47.2)*	*0.5*	*(3.2)*	*(21.3)*	*(11.7)*	*(1.0)*	*(62.1)*
Plan participants' contributions	0.4	0.3	-	-	1.5	1.5	1.9	1.8
Benefits paid	(39.8)	(42.4)	(14.5)	(18.9)	(32.0)	(26.6)	(86.3)	(87.9)
Benefits obligation assumed on acquisition of subsidiaries	-	-	0.6	0.8	11.5	5.3	12.1	6.1
Benefits obligation transferred on divestiture of subsidiaries	-	-	(0.2)	-	(0.2)	(19.6)	(0.4)	(19.6)
Foreign exchange translation	(41.2)	(8.1)	-	-	(26.1)	10.0	(67.3)	1.9
Other	(0.5)	-	(1.9)	(0.1)	0.7	0.5	(1.7)	0.4
(a) Defined Benefit Obligation at the end of year	**1,112.6**	**1,019.2**	**409.4**	**413.2**	**492.7**	**473.0**	**2,014.7**	**1,905.4**

6.3.3.3 Sensivity 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 €243 million and the current service cost of the next year by €5 million. A 1% decrease in the discount rate would increase the defined benefit obligation by €285 million and the current service cost of the next year by €6 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 €5 million. A 1% decrease in the inflation rate would decrease the defined benefit obligation by €164 million and the current service cost by €4 million.

6.3.4 Change in the funding status of post-employment benefit obligations and the provision

(in € million)	United Kingdom 2017 re-presented	2018	France 2017 re-presented	2018	Other countries 2017 re-presented	2018	Total 2017 re-presented	2018
(a) Defined Benefit Obligation at the end of year	1,112.6	1,019.2	409.4	413.2	492.7	473.0	2,014.7	1,905.4
(b) Fair value of plan assets at end of year	1,073.3	990.6	89.6	82.0	210.1	205.5	1,373.0	1,278.1
Funding status = (b) – (a)	**(39.3)**	**(28.6)**	**(319.8)**	**(331.2)**	**(282.6)**	**(267.5)**	**(641.7)**	**(627.3)**
Provisions	(54.1)	(45.0)	(320.5)	(331.4)	(282.6)	(267.8)	(657,2)	(644,2)(1)
Prepaid benefits (regimes with a funding surplus)	14.8	16.4	0.7	0.2	-	0.3	15.5	16.9

(1) Of which €644.0 million recognized as non-current provisions and €0.2 million related to operations been discontinuated -reclassified as liabilities held for sale.

Provisions for post-employment benefits total €644.2 million, compared with €657.2 million in 2017.

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.

Change in plan assets *(in € million)* — As of December 31,	United Kingdom 2017 re-presented	2018	France 2017 re-presented	2018	Other countries 2017 re-presented	2018	Total 2017 re-presented	2018
Fair value of plan assets at beginning of the year	**1,069.2**	**1,073.3**	**94.9**	**89.6**	**198.5**	**210.1**	**1,362.6**	**1,373.0**
Actual return on plan assets	72.9	(25.1)	1.9	2.2	22.1	(11.5)	96.9	(34.4)
o/w interest income	*27.2*	*27.2*	*1.1*	*1.5*	*1.6*	*2.3*	*29.9*	*31.0*
o/w return on plan assets excluding amounts included in interest income	*45.7*	*(52.3)*	*0.8*	*0.7*	*20.5*	*(13.8)*	*67.0*	*(65.4)*
Employer contributions	21.4	21.2	(0.2)	0.1	7.3	6.6	28.5	27.9
Plan participants' contributions	0.4	0.3	-	-	1.5	1.5	1.9	1.8
Benefits obligation assumed on acquisition of subsidiaries	-	-	0.1	-	7.7	2.6	7.8	2.6
Benefits obligation transferred on divestiture of subsidiaries	-	-	-	-	-	-	-	-
Settlements	(12.0)	(28.8)	(0.8)	-	-	-	(12.8)	(28.8)
Benefits paid	(39.8)	(42.2)	(6.2)	(9.6)	(12.8)	(9.6)	(58.8)	(61.4)
Administrative expenses paid by the fund	(0.4)	(0.1)	-	-	(0.2)	(0.1)	(0.6)	(0.2)
Foreign exchange translation	(37.9)	(7.9)	-	-	(14.3)	5.6	(52.2)	(2.3)
Other	(0.5)	(0.1)	(0.1)	(0.3)	0.3	0.3	(0.3)	(0.1)
(b) Fair value of plan assets at end of the year	**1,073.3**	**990.6**	**89.6**	**82.0**	**210.1**	**205.5**	**1,373.0**	**1,278,1**

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 2018, growth assets mainly impacted by the negative performance of equity markets.

The Group plans to make contributions of €29 million to defined benefit plans in 2019.

Plan assets

On average, Group pension plan assets were invested as follows:

	2017	2018
Unquoted assets	**13.8%**	**13.2%**
Liquid unquoted assets - Investment funds (general insurance fund)	8.5%	8.7%
Non-liquid unquoted assets – Investment funds*	4.2%	3.3%
Unquoted assets - Other	1.1%	1.2%
Quoted assets (liquid)	**84.5%**	**82.3%**
Government bonds**	31.0%	27.5%
Corporate bonds	2.7%	2.8%
Shares	4.9%	4.7%
Diversified Investment funds	43.8%	44.6%
Liquid quoted assets – Other	2.1%	2.7%
Liquid assets	**1.7%**	**4.5%**
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.*

6.3.6 Impact on comprehensive income

The net benefit cost breaks down as follows:

	As of December 31,							
	United Kingdom		France		Other countries		Total	
in € million)	2017 re-presented	2018	2017 re-presented	2018	2017 re-presented	2018	2017 re-presented	2018
Service cost	(1.3)	8.6	16.3	19.2	3.2	12.9	18.2	40.7
o/w Current service cost	*3.6*	*3.8*	*21.3*	*19.9*	*20.5*	*21.5*	*45.4*	*45.2*
o/w Past service cost	*(4.9)*	*4.8*	*(5.0)*	*(0.7)*	*(17.3)*	*(8.6)*	*(27.2)*	*(4.5)*
Net interest expense	2.7	0.7	3.4	4.7	6.9	5.9	13.0	11.3
o/w interest cost	*29.9*	*27.9*	*4.5*	*6.2*	*8.5*	*8.2*	*42.9*	*42.3*
o/w interest income on plan assets	*(27.2)*	*(27.2)*	*(1.1)*	*(1.5)*	*(1.6)*	*(2.3)*	*(29.9)*	*(31.0)*
Interest income on right to reimbursement	-	-	-	-	-	-	-	-
Administrative expenses paid by the fund	0.5	0.1	-	-	0.1	0.1	0.6	0.2
Other	-	(0.1)	(2.0)	0.3	-	0.2	(2.0)	0.4
Net benefit cost recognized in the Consolidated Income Statement	**1.9**	**9.3**	**17.7**	**24.2**	**10.2**	**19.1**	**29.8**	**52.6**
Return on plan assets excluding amounts included in interest income	(45.7)	52.3	(0.8)	(0.7)	(20.5)	13.8	(67.0)	65.4
Actuarial (gains) losses arising from experience adjustments	(23.0)	3.6	(7.4)	(2.2)	12.8	4.9	(17.6)	6.3
Actuarial (gains) losses arising from changes in demographic assumptions	(7.7)	(7.3)	0.2	2.0	0.3	(2.2)	(7.2)	(7.5)
Actuarial (gains) losses arising from changes in financial assumptions	19.8	(47.2)	0.5	(3.2)	(21.3)	(11.7)	(1.0)	(62.1)
Net benefit cost recognized in other comprehensive income	**(56.6)**	**1.4**	**(7.5)**	**(4.1)**	**(28.7)**	**4.8**	**(92.8)**	**2.1**
NET BENEFIT COST RECOGNIZED IN TOTAL COMPREHENSIVE INCOME	(54.7)	10.7	10.2	20.1	(18.5)	23.9	(63.0)	54.7

The costs in the Consolidated Income Statement are recorded in operating income, except for the net interest expense, recorded in net finance costs.

6.4 Compensation and related benefits of key management (related parties)

Group Executive Committee members and directors represent the key management personnel of the Group.

The following table summarizes amounts paid by the Group in respect of compensation and other benefits granted to members of the Company Executive Committee.

Short-term benefits include fixed and variable compensation, employee benefits and directors' fees. Variable compensation comprises amounts paid in fiscal year Y in respect of fiscal year Y-1.

(in € million)	As of December 31, 2017 re-presented	As of December 31, 2018
Short-term benefits, excluding employer contributions	10.3	9.3
Employer contributions	3.5	2.7
Post-employment benefits (1)	0.2	0.1
Other long-term benefits (2)	-	-
Share-based payments	2.5	-
Other terms	-	-
TOTAL	16.5	12.1

(1) Current service cost.
(2) Other compensation vested but payable in the long-term.

As of December 31, 2018, total pension obligations in respect of members of the Executive Committee amount to €3.5 million, compared with €3.2 million as of December 31, 2017.

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 €1,040,644 in 2018.

Chapter 7, Section 7.4 of the Registration Document contains detailed disclosures on the various compensation and benefits paid to key management personnel of the Group.

NOTE 7 GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

7.1 Goodwill

7.1.1 Movements in goodwill

Goodwill breaks down as follows:

(in € million)	As of December 31, 2017 re-presented	As of December 31, 2018
Gross	6,016.1	6,210.1
Accumulated impairment losses	(1,100.4)	(1,102.4)
NET	4,915.7	5,107.7

7.1.1.1 Main goodwill balances by cash-generating unit

A Cash-Generating Unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For the purpose of impairment tests, goodwill is allocated, from the acquisition date, to each of the cash-generating units or each of the groups of cash-generating units that are expected to benefit from the business combination, referred to hereafter as "goodwill CGUs".

Given the Group's activities, the goodwill CGUs are below operating segments in the organizational structure and generally represent a country or group of countries.

The Group has 25 goodwill CGUs as of December 31, 2018, including 9 with allocated goodwill in excess of €200 million.

The main goodwill balances in net carrying amount by goodwill CGU (amounts in excess of €200 million) are as follows:

(in € million)	As of December 31, 2017 re-presented	As of December 31, 2018
France Water	904.1	904.1
British Isles	737.8	754.6
Czech Republic and Slovakia	569.2	597.2
Germany	388.2	392.2
Hazardous Waste	325.1	358.3
France Waste	323.4	337.6
VWT	274.6	272.6
North America	259.3	265.5
Poland	252.5	251.4
Goodwill balances > €200 million as of December 31, 2016	**4,034.2**	**4,133.5**
Other goodwill balances < €200 million	881.5	974.2
TOTAL GOODWILL	4,915.7	5,107.7

Goodwill balances of less than €200 million break down by operating segment as follows:

(in € million)	As of December 31, 2017 re-presented	As of December 31, 2018
France	-	-
Europe excluding France	262.7	244.9
Rest of the world	504.0	610.0
Global businesses	111.8	116.3
Other	3.0	3.0
TOTAL	881.5	974.2

As of December 31, 2018, accumulated impairment losses total -€1,102.4 million and mainly concern goodwill of the Germany (-€493.0 million), North America (-€190.7 million) and Poland (-€98.5 million) cash-generating units.

7.1.1.2 Movements in the net carrying amount of goodwill

Movements in the net carrying amount of goodwill during **2018** are as follows:

(in € million)	As of December 31, 2017 re-presented	Changes in consolidation scope	Foreign exchange translation	Impairment losses	Transfers to Assets classified as held for sale	Other	As of December 31, 2018
France	1,227.5	14.2	-	-	-	-	1,241.7
Europe excluding France	2,210.4	48.1	(20.6)	0.9	-	1.4	2,240.2
Rest of the world	763.3	117.7	(18.5)	-	-	13.0	875.5
Global businesses	711.5	23.6	11.6	-	-	0.6	747.3
Other	3.0	-	-	-	-	-	3.0
TOTAL GOODWILL	4,915.7	203.6	(27.5)	0.9	-	15.0	5,107.7

The main movements in Group goodwill **during 2018** were primarily due to:

- **changes in consolidation scope,** including:
  - €48.1 million in Europe excluding France:
    - €31.6 million in respect of the acquisition of PPC Investments A.S. in Slovakia,
    - €5.6 million in respect of the acquisition of Corvara and -€23.1 million in respect of the allocation of Hans Andersson goodwill in the Nordic countries,
    - €22.3 million in respect of acquisitions in the United Kingdom,
  - €117.7 million in the Rest of the world:
    - €64.9 million in respect of the acquisition of Grupo Sala in Colombia,
    - €22.8 million in respect of the acquisition of ACPTL in India.

Certain goodwill balances recognized during the fiscal year relate to acquisitions for which the purchase price allocation process has not been completed, and may therefore be adjusted during 2019.

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 (2024). These flows are determined for each CGU or group of CGUs based on a perpetual growth rate which takes account of factors such as inflation;
- these terminal values are calculated based on discount rates and perpetual growth rates reflecting the country or the geographic area of the cash-generating unit;
- a discount rate (weighted average cost of capital) is determined for each asset, cash-generating unit or group of cash-generating units: it is equal to the risk-free rate plus a risk premium weighted for country-specific risks (see Note 2). The discount rates estimated by management for each cash-generating unit therefore reflect current market assessments of the time value of money and the country specific risks to which the CGU or group of CGUs is exposed, with the other risks reflected in the expected future cash flows from the assets;
- investments included in forecast/future cash flows are those investments that enable the level of economic benefits expected to arise from the assets to be maintained in their current condition. Restructuring plans to which the Group is not committed are not included in forecast cash flows used to determine values in use.

Changes in the economic and financial context, as well as changes in the competitive or regulatory environment may impact estimates of recoverable amounts, as may unforeseen changes in the political, economic or legal systems of certain countries.

The assumptions underlying the impairment tests on Group cash-generating units with material goodwill balances are as follows:

Geographic area	Recoverable amount determination period	Discount rate	Perpetual growth rate
France	Value in use	5.5%	1.5%
British Isles (United Kingdom)	Value in use	5.8%	1.7%
Germany	Value in use	5.5%	2.1%
Czech Republic and Slovakia	Value in use	6.3%	1.7%
Poland	Value in use	7.7%	2.0%
North America	Value in use	6.0%	2.1%

7.1.2.1 Impairment tests results

Impairment tests were performed on all cash-generating units. No material impairment losses were recognized in 2018.

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:

(in € 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, 2018	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%)
Germany	1,289.0	392.2	235.3	(125.8)	(195.8)	158.2
Mexico	194.6	45.4	1.1	(21.7)	(15.9)	(8.8)

* *Translated at 2019 budget rate.*

Taking account of their commercial development perspectives, the recoverable amounts of the Czech Republic and Poland cash-generating units exceed their 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 **2018** are as follows:

(in € million)	As of December 31, 2017 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, 2018
Concession intangible assets, gross	7,273.5	281.6	(37.2)	-	-	(376.7)	12.1	(3.0)	(10.2)	7,140.1
Amortization and impairment losses	(3,798.2)	-	32.2	1.3	(398.3)	346.2	(1.5)	4.8	140.7	(3,672.8)
CONCESSION INTANGIBLE ASSETS, NET	3,475.3	281.6	(5.0)	1.3	(398.3)	(30.5)	10.6	1.8	130.5	3,467.3

Additions mainly concern France (€80.1 million), Europe excluding France (€62.6 million) and the Rest of the world (€138.9 million).

Changes in consolidation scope mainly concern the Rest of the world (-€31.4 million), including the exit of Société d'Énergie et d'Eau du Gabon (-€17.3 million) and the disposal of the Jiujiang landfill site in China (-€9.6 million).

Concession intangible assets break down by operating segment as follows:

(in € million)	Net carrying amount as of December 31, 2017 re-presented	As of December 31, 2018		
		Gross carrying amount	Amortization and impairment losses	Net carrying amount
France	701.2	1,483.7	(850.8)	632.9
Europe excluding France	2,093.7	4,155.0	(2,074.1)	2,080.9
Rest of the world	678.3	1,488.9	(736.8)	752.1
Global businesses	2.1	12.5	(11.1)	1.4
Other	-	-	-	-
CONCESSION INTANGIBLE ASSETS	3,475.3	7,140.1	(3,672.8)	3,467.3

7.2.2 Other intangible assets

Other intangible assets mainly consist of entry fees paid to local authorities for public service contracts, the value of contracts acquired through business combinations (“contractual rights”), patents, licenses, software and operating rights.

Useful lives are as follows:

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.

	Range of useful lives in number of years*
Entry fees paid to local authorities	3 to 80
Purchased contractual rights	3 to 35
Purchased software	3 to 10
Other intangible assets	1 to 30

* *The range of useful lives is due to the diversity of intangible assets concerned.*

Other intangible assets break down as follows:

(in € million)	As of December 31, 2017 re-presented	As of December 31, 2018
INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE, NET	12.2	41.0
Intangible assets with a definite useful life, gross	3,330.4	3,445.9
Amortization and impairment losses	(2,325.5)	(2,370.6)
INTANGIBLE ASSETS WITH A DEFINITE USEFUL LIFE, NET	1,004.9	1,075.3
OTHER INTANGIBLE ASSETS, NET	1,017.1	1,116.3

Movements in the net carrying amount of other intangible assets during **2018** are as follows:

(in € million)	As of December 31, 2017 re-presented	Additions	Disposals	Impairment losses	Amortization	Changes in scope of consolidation	Foreign exchange translation	Other	As of December 31, 2018
INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE, NET	12.2	0.8	(1.0)	-	-	28.2	0.6	0.2	41.0
Entry fees paid to local authorities	76.6	9.3	(1.2)	(0.4)	(31.7)	3.8	-	(3.9)	52.5
Purchased contractual rights	304.1	-	-	(3.7)	(46.0)	60.5	(2.4)	33.2	345.7
Purchased software	169.6	58.3	(2.4)	(7.9)	(65.2)	(6.3)	(0.6)	19.1	164.6
Purchased customer portfolios	73.3	1.0	-	-	(11.1)	45.3	(1.3)	(3.6)	103.6
Other purchased intangible assets	296.9	32.7	(0.6)	6.5	(31.7)	18.8	(5.6)	0.5	317.5
Other internally-developed intangible assets	84.4	29.3	(0.4)	(2.4)	(24.7)	4.0	0.1	1.1	91.4
INTANGIBLE ASSETS WITH A DEFINITE USEFUL LIFE, NET	1,004.9	130.6	(4.6)	(7.9)	(210.4)	126.0	(9.7)	46.4	1,075.3
OTHER INTANGIBLE ASSETS	1,017.1	131.4	(5.6)	(7.9)	(210.4)	154.2	(9.1)	46.6	1,116.3

Intangible assets with an indefinite useful life are primarily trademarks.

Entry fees paid to local authorities in respect of public service contracts total €52.5 million as of December 31, 2018, including €31.2 million in France, compared with €76.6 million as of December 31, 2017, including €55.5 million in France. Amortization of entry fees paid at the beginning of concession arrangements, calculated over the contract term, totaled -€32.1 million in 2018, including -€25.9 million for France.

Changes in consolidation scope concern:

- Europe excluding France in the amount of €72.4 million, including €12.8 million in respect of the purchase price allocation for Veolia Sweden AB. and €12.3 million in respect of the acquisition of Hans Andersson;
- the Rest of the world operating segment in the amount of €69.4 million, including €31.5 million in respect of the purchase price allocation for Grupo Sala in Colombia.

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 **2018** are as follows:

(in € million)	As of December 31, 2017 re-presented	Additions	Disposals	Impairment losses	Depreciation	Change in scope of consolidation	Foreign exchange translation	Other movements	As of December 31, 2018
Property, plant and equipment, gross	18,229.4	1,192.7	(402.2)	-	-	367.9	(110.8)	121.4	19,398.4
Depreciation and impairment losses	(10,935.0)	-	363.7	20.6	(960.8)	(63.1)	59.7	(26.7)	(11,541.6)
PROPERTY, PLANT AND EQUIPMENT, NET	7,294.4	1,192.7	(38.5)	20.6	(960.8)	304.7	(51.1)	94.7	7,856.8

Additions mainly concern France (€196.4 million), Europe excluding France (€450.2 million) and the Rest of the world (€412.4 million).

Disposals, net of impairment losses and depreciation, mainly concern France (-€11.9 million), Europe excluding France (-€9.4 million) and the Rest of the world (-€7.8 million).

Depreciation mainly concerns France (-€210.6 million), Europe excluding France (-€368.3 million) and the Rest of the world (-€257.8 million).

Foreign exchange translation gains and losses are primarily due to the appreciation of the U.S. Dollar (+€50.8 million), the Polish zloty (-€40.3 million) and the Australian dollar (-€16.6 million) against the euro.

Changes in consolidation scope mainly concern:

- Europe excluding France for €192.6 million, including:
  - €93.3 million in Slovakia in respect of PPC Investment and Energy A.S.,
  - €33.5 million in Sweden in respect of Hans Andersson,
  - €16.5 million in Belgium in respect of HCI;
- the Rest of the world for €104.2 million, including:
  - €50.6 million in respect of the acquisition of Grupo Sala in Colombia,
  - €21.3 million in respect of the acquisition of ACPTCL in India.

Property, plant and equipment break down by operating segment as follows:

(in € million)	Net value As of December 31, 2017 re-presented	As of December 31, 2018 Gross carrying amount	Depreciation and impairment losses	Net carrying amount
France	1,031.3	3,891.4	(2,866.6)	1,024.8
Europe excluding France	3,299.9	8,401.0	(4,833.7)	3,567.3
Rest of the world	2,325.7	4,642.3	(2,029.7)	2,612.6
Global businesses	566.5	2,259.5	(1,671.7)	587.8
Other	71.0	204.2	(139.9)	64.3
PROPERTY, PLANT AND EQUIPMENT	7,294.4	19,398.4	(11,541.6)	7,856.8

The breakdown of property, plant and equipment by class of assets is as follows:

(in € million)	Net carrying amount As of December 31, 2017 re-presented	As of December 31, 2018 Gross carrying amount	Depreciation and impairment losses	Net carrying amount
Land	637.2	1,408.0	(740.9)	667.1
Buildings	1,237.1	3,051.7	(1,787.6)	1,264.1
Technical installations, plant and equipment	3,877.1	10,226.0	(6,071.7)	4,154.3
Travelling systems and other vehicles	583.5	2,163.2	(1,532.7)	630.5
Other property, plant and equipment	331.1	1,715.3	(1,377.4)	337.9
Property, plant and equipment in progress	628.5	834.2	(31.3)	802.9
PROPERTY, PLANT AND EQUIPMENT	7,294.4	19,398.4	(11,541.6)	7,856.8

7.3.2 Finance leases

Pursuant to IAS 17, assets financed by finance lease are initially recorded at the lower of fair value and the present value of future minimum lease payments. Subsequently, the Group does not apply the remeasurement model but the cost model in accordance with IAS 16 and IAS 38.

These assets are depreciated or amortized over the shorter of the expected useful life of the asset and the lease term, unless it is reasonably certain that the asset will become the property of the lessee at the end of the contract. This accounting policy complies with IAS 17 and Group accounting methods regarding the recognition and measurement of intangible assets and property, plant and equipment.

The Group uses finance leases to finance the purchase of certain operating property, plant and equipment and real estate assets recognized as assets in the Consolidated Statement of Financial Position.

Assets financed by **finance lease** break down by category as follows:

(in € million)	Proprety, plant and equipment	Concession intangible assets	Operating financial assets	Total
December 31, 2018	**97.3**	**9.4**	**73.7**	**180.4**
December 31, 2017	85.5	11.8	86.5	183.8

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7.3.3 Operating leases

Future minimum lease payments under operating leases amount to €1,589.8 million as of December 31, 2018, compared with €1,635.8 million as of December 31, 2017.

As of December 31, 2018, future minimum lease payments under these contracts were as follows:

(in € million)	Operating lease
2019	384.8
2020 & 2021	546.2
2022 & 2023	301.5
2022 and therefater	357.3
TOTAL FUTURE MINIMUM LEASE PAYMENTS	1,589.8

Lease payments for the period break down as follows:

(in € million)	As of December 31, 2017 re-presented	As of December 31, 2018
Minimum lease payments expensed in the year	469.9	475.6
Contingent rent expensed in the year	2.3	1.7
TOTAL LEASE PAYMENTS FOR THE YEAR	472.2	477.3

Sub-lease revenue is not material.

NOTE 8 FINANCING AND FINANCIAL INSTRUMENTS

8.1 Financial assets and liabilities

Financial assets and liabilities mainly consist of:

- borrowings and other financial liabilities, presented in Note 8.1.1;
- other current and non-current financial assets, presented in Note 8.1.2;
- cash and cash equivalents and bank overdrafts and other cash position items, presented in Note 8.1.3;
- derivative instruments, presented in Note 8.3.

8.1.1 Financial liabilities

Financial liabilities include borrowings, other financing and bank overdrafts and derivative liabilities.

With the exception of trading liabilities and derivative liabilities which are measured at fair value, borrowings and other financial liabilities are recognized initially at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the estimated term of the financial instrument or, where applicable, over a shorter period, to the net carrying amount of the financial asset or liability.

	Non-current		Current		Total	
(in € million)	As of December 31, 2017 re-presented	As of December 31, 2018	As of December 31, 2017 re-presented	As of December 31, 2018	As of December 31, 2017 re-presented	As of December 31, 2018
Bond issues	**8,893.3**	**9,043.9**	**489.5**	**727.1**	**9,382.8**	**9,771.0**
• maturing < 1 year	-	-	489.5	727.1	489.5	727.1
• maturing 2-3 years	1,591.0	2,301.2	-	-	1,591.0	2,301.2
• maturing 4-5 years	2,673.1	1,944.5	-	-	2,673.1	1,944.5
• maturing > 5 years	4,629.2	4,798.2	-	-	4,629.2	4,798.2
Other borrowings	**564.1**	**611.6**	**4,117.5**	**3,895.4**	**4,681.6**	**4,507.0**
• maturing < 1 year	-	-	4,117.5	3,895.4	4,117.5	3,895.4
• maturing 2-3 years	257.1	236.5	-	-	257.1	236.5
• maturing 4-5 years	121.0	194.6	-	-	121.0	194.6
• maturing > 5 years	186.0	180.5	-	-	186.0	180.5
TOTAL CURRENT AND NON-CURRENT BORROWINGS	9,457.4	9,655.5	4,607.0	4,622.5	14,064.4	14,278.0

The headings "Net increase/decrease in current borrowings" and "Redemption of hybrid debt" in the Consolidated Cash Flow Statement includes redemptions of current bonds in the amount of -€495.2 million in 2018 and increases and repayments of other current borrowings of -€1,947.3 million. This heading does not include accrued interest payable of -€11.9 million in 2018, 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 €879.5 million in 2018 and new other non-current borrowings of €235.1 million. However, it excludes new finance lease obligations of €13.9 million, presented in investment flows.

The heading "Principal payments on non-current borrowings and other debts" in the Consolidated Cash Flow Statement includes redemptions of non-current bonds in the amount of -€40.3 million in 2018 and principal payments on other non-current borrowings of -€117.8 million.

8.1.1.1 Changes in non-current and current bond issues

It is recalled that, on March 20, 2017, Veolia Environnement issued two bonds for €1.3 billion. This issuance included a €650 million bond line maturing in March 2022 (5-year maturity) bearing a coupon of 0.672% and a €650 million bond line maturing in November 2026 (approximately 10-year maturity) bearing a coupon of 1.496%. Both bonds were issued at par.

In addition, on November 16, 2017, Veolia Environnement successfully issued a €500 million 3-year zero coupon bond maturing in November 2020, with a negative actuarial yield of -0.026%.

In 2018, main changes are the following:

€750 million bond issue

On December 5, 2018, Veolia Environnement issued at par a €750 million bond line, maturing in 2030 and bearing a coupon of 1.94%.

Panda bond issue

On August 9, 2018, Veolia Environnement continued its bond issue program on the Chinese domestic market, issuing a one billion renminbi bond line (€127 million), maturing on August 10, 2019 and bearing a coupon of 4%.

Non-current and current bond issues break down as follows:

(in € million)	As of December 31, 2017 re-presented	Increases/ subscriptions	Repay-ments	Changes in consoli-dation scope	Faire value adjust-ments(1)	Foreign exchange translation	Non-current/ current reclassi-fication	Other	As of December 31, 2018
Non-current bons issues	8,893.3	879.5	(40.3)	0.8	31.5	10.9	(731.0)	(0.8)	9,043.9
Current bond issues	489.5	-	(495.2)	23.9	-	(0.2)	731.0	(21.9)	727.1
TOTAL BOND ISSUES	9,382.8	879.5	(535.5)	24.7	31.5	10.7	-	(22.7)	9,771.0

(1) Fair value adjustments are recorded in financial income and expenses.

Increases/subscriptions mainly concern bond issues by Veolia Environnement totaling €875.4 billion (see above).

Repayments mainly comprise the redemption at maturity on May 28, 2018 of the euro bond line in the nominal amount of €472 million.

Non-current/current reclassifications total €731.0 million and mainly concern the euro bond line maturing in April 2019 in the amount of €465.0 million and the CNY bond lines maturing in August 2019 and September 2019 in the amount of €253.4 million.

Foreign exchange translation losses total €10.7 million and mainly concern the translation at the year-end exchange rate of the GBP bond line maturing in 2037 with a euro equivalent of €5.9 million as of December 31, 2018 and of the US dollar bond line maturing in 2038 with a euro equivalent of -€17.4 million as of December 31, 2018.

Non-current bond issues break down by maturity as follows:

(in € million)	As of December 31, 2017	As of December 31, 2018	Maturity		
			2 to 3 years	4 to 5 years	> 5 years
Publicly offered or trade issuances (a)	7,983.1	8,260.9	1,582.7	1,922.9	4,755.3
Europeen market (i)	*7,621.0*	*7,882.4*	*1,582.7*	*1,922.9*	*4,376.8*
American market (ii)	*362.1*	*378.5*	*-*	*-*	*378.5*
Bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)	698.3	698.8	698.8	-	-
Panda Tranche 1	127.5	-	-	-	-
Stirling Water Seafield Finance bond issue (b)	57.8	51.7	12.4	14.2	25.1
Other < €50 million in 2017 and 2018	26.6	32.5	7.3	7.4	17.8
NON-CURRENT BOND ISSUES	8,893.3	9,043.9	2,301.2	1,944.5	4,798.2

(a) Publicly offered or trade issuances.

i. European market: as of December 31, 2018, an amount of €8,347.3 million is recorded in the Consolidated Statement of Financial Position in respect of bonds issued under the European Medium Term Notes (EMTN) Program, including €7,882.4 million maturing in more than one year. The impact of the fair value remeasurement of hedged interest rate risk is €31.5 million at the year-end (non-current portion).

ii. US market: as of December 31, 2018, remaining nominal outstandings on the bond issues performed in the United States on May 27, 2008 total US$400.0 million, maturing June 1, 2038 and paying fixed-rate interest of 6.75% (Tranche 3).

(b) Stirling Water Seafield Finance bond issue: the outstanding nominal balance as of December 31, 2018 on the amortizable bond issue performed in 1999 by Stirling Water Seafield Finance (Veolia Water UK subsidiary, Water activities), is GBP 50.4 million (non-current and current portion). This bond issue is recognized at amortized cost for a euro equivalent of €51.7 million as of December 31, 2018 (non-current portion). This bond matures on September 26, 2026.

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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 18	12/11/2020	EUR	431	4,375 %	457
Series 23	5/24/2022	EUR	645	5,125 %	675
Series 24	10/29/2037	GBP	727	6,125 %	726
Series 28 (PEO)	1/6/2021	EUR	638	4.247%	626
Series 29 (PEO)	3/30/2027	EUR	750	4.625%	689
Series 31 (PEO)	1/10/2028	EUR	500	1.590%	354
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%	664
Series 37	11/23/2020	EUR	500	0.000%	500
Series 38	01/07/2030	EUR	750	1.940%	748
Total bond issues (EMTN)	N/A	N/A	8,041	N/A	7,882
USD Series Tranche 3	6/1/2038	USD	349	6,750 %	378
Total publicly offered or traded issuances in USD	N/A	N/A	349		378
Bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)	3/15/2021	EUR	700	N/A	699
Total bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)	N/A	N/A	700	N/A	699
Stirling Water Seafield Finance bond issue	9/26/2026	GBP	51	5,822 %	52
Total principal bond issues	N/A	N/A	9,141	N/A	9,011
Total other bond issues	N/A	N/A		N/A	33
TOTAL NON-CURRENT BOND ISSUES	N/A	N/A		N/A	9,044

8.1.1.2 Changes in other financial liabilities

(in € million)	As of December 31, 2017	Net movement	Changes in consolidation scope	Fair value adjustments	Foreign exchange translation	Non-current/ current reclassification	Transfers to Liabilities classified as held for sale	Other	As of December 31, 2018
Other non-current financial liabilities	564.1	117.3	99.4	(0.2)	3.3	(174.1)	-	1.8	611.6
Other current financial liabilities	4,117.5	(1,947.3)	74.6	(0.3)	23.1	174.1	1.3	1,452.4	3,895.4
OTHER FINANCIAL LIABILITIES	4,681.6	(1,830.0)	174.0	(0.5)	26.4	-	1.3	1,454.2	4,507.0

Movements in financial liabilities during **2018** are as follows:

Other non-current financial liabilities mainly comprise:

- finance lease obligations (€137.8 million as of December 31, 2018 and €135.7 million as of December 31, 2017);
- debt carried by:
  - Redal and Amendis in Morocco (Water) of €59.0 million and €17.6 million, respectively, as of December 31, 2018 compared with €36.9 million and €23.9 million, respectively, as of December 31, 2017,
  - International Water Services Guayaquil Interagua in Ecuador (Water) of €76.3 million as of December 31, 2018 and €52.0 million as of December 31, 2017,
  - Veolia Sunshine (Harbin) Heat Power in China (Energy) of €12.0 million as of December 31, 2018 and €23.5 million as of December 31, 2017,
  - Veolia Energy North America (United States) of €26.4 million as of December 31, 2018 and €28.5 million as of December 31, 2017,
  - Stadtwerke Gorlitz (Germany) of €31.6 million as of December 31, 2018 and €29.7 million as of December 31, 2017,
  - Sofiyska Voda (Bulgaria) of €24.6 million as of December 31, 2018 and €9.2 million as of December 31, 2017,
  - Shipbreaking (China) of €24.5 million as of December 31, 2018 and €13.0 million as of December 31, 2017.

Changes in consolidation scope mainly concern the acquisition of:

- Taiyuan Shuita Green Energy Co Ltd in China for €17 million;
- HCI in Belgium for €9.9 million;
- Bristol in Slovakia for €53.1 million.

Other movements concern the reclassification from equity to financial liabilities before securities redemption on April 16, 2018 (see also note 9.4.1).

Other current financial liabilities total €3,895.4 million as of December 31, 2018, compared with €4,117.5 million as of December 31, 2017.

Net movements in other current financial liabilities in 2018 mainly reflect the decrease in treasury notes issued in the amount of €242.0 million.

Changes in consolidation scope mainly concern the acquisition of Grupo Sala in Colombia for €51.8 million.

As of December 31, 2018, other current financial liabilities mainly concern:

- Veolia Environnement for €3,392.0 million (including treasury notes of €3,249.6 million and accrued interest on debt of €130.6 million);
- certain subsidiaries of the "Other" segment in the amount of €54.8 million;
- France in the amount of €60.1 million;
- Europe excluding France in the amount of €132.5 million;
- the Rest of the world segment in the amount of €219.6 million;
- Global businesses in the amount of €34.7 million.

The current portion of Group finance lease obligations is €28.8 million as of December 31, 2018, compared with €35.8 million as of December 31, 2017.

8.1.1.3 Breakdown of non-current and current financial liabilities by currency

Financial liabilities are primarily denominated in euro, pound sterling and US Dollar.

Financial liabilities break down by original currency (before currency swaps) as follows:

- euro-denominated debts total €12,248.3 million as of December 31, 2018 and €12,015.3 million as of December 31, 2017;
- pound sterling-denominated debts total €817.1 million as of December 31, 2018 and €835.1 million as of December 31, 2017;
- US dollar-denominated debts total €744.7 million as of December 31, 2018 and €667.9 million as of December 31, 2017.

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, loans and receivables and cash and cash equivalents.

Financial assets are initially recognized at fair value plus transaction costs, where the assets concerned are not subsequently measured at fair value through profit or loss. Where the assets are measured at fair value through profit or loss, transaction costs are expensed directly to net income.

The Group classifies financial assets in one of the 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 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. Non-consolidated investments which are not quoted in an active market and for which the fair value cannot be measured reliably, are recorded by the Group at historical cost less any accumulated impairment losses.

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	
(in € million)	As of December 31, 2017 re-presented	As of December 31, 2018	As of December 31, 2017 re-presented	As of December 31, 2018	As of December 31, 2017 re-presented	As of December 31, 2018
Gross	402.7	385.6	261.9	279.4	664.6	665.0
Impairment losses	(69.7)	(71.1)	(32.9)	(37.4)	(102.6)	(108.5)
FINANCIAL ASSETS IN LOANS AND RECEIVABLES, NET	333.0	314.5	229.0	242.0	562.0	556.5
OTHER FINANCIAL ASSETS	11.2	13.6	5.1	2.2	16.3	15.8
LIQUID ASSETS AND FINANCING FINANCIAL ASSETS	4.4	4.7	170.5	188.1	174.9	192.8
TOTAL OTHER FINANCIAL ASSETS, NET	348.6	332.8	404.6	432.3	753.2	765.1

8.1.2.2 Changes in other non-current financial assets

Changes in the value of other non-current financial assets during **2018** are as follows:

(in € million)	As of December 31, 2017 re-presented	Additions	Repayments/ disposals	Changes in consolidation scope	Impairment losses[1]	Foreign exchange translation	Non-current/ current reclassi-fication	Transfers to Assets classified as held for sale	Other	As of December 31, 2018
Gross	402.7	679.2	(702.0)	(9.4)	0.7	4.6	(3.6)	0.5	12.9	385.6
Impairment losses	(69.7)	-	-	-	0.1	(3.3)	-	-	1.8	(71.1)
NON-CURRENT FINANCIAL ASSETS IN LOANS AND RECEIVABLES, NET	333.0	679.2	(702.0)	(9.4)	0.8	1.3	(3.6)	0.5	14.7	314.5
OTHER NON-CURRENT FINANCIAL ASSETS	11.2	5.8	(1.3)	21.7	(2.0)	(0.3)	(0.1)	-	(21.4)	13.6
LIQUID ASSETS AND FINANCING FINANCIAL ASSETS	4.4	4.2	(0.2)	-	-	0.2	(3.9)	-	-	4.7
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS, NET	348.6	689.2	(703.5)	12.3	(1.2)	1.2	(7.6)	0.5	(6.7)	332.8

(1) Impairment losses are recorded in financial income and expenses.

Non-current financial assets relating to loans and receivables

As of December 31, 2018, the main non-current financial assets in loans and receivables primarily comprised loans granted to equity-accounted joint ventures totaling €107.8 million, compared with €85.8 million as of December 31, 2017.

These loans mainly comprise loans granted to the Chinese concessions in the amount of €69.4 million.

Other non-current financial assets

Other non-current financial assets are classified as assets at fair value through income statement 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 **2018** are as follows:

(in € million)	As of December 31, 2017 re-presented	Changes in business	Changes in consolidation scope	Fair value adjustments	Impairment losses[2]	Foreign exchange translation	Non-current/ current reclassification	Transfers to Assets classified as held for sale	Other	As of December 31, 2018
Gross	261.9	17.4	1.2	-	16.4	1.4	3.6	-	(22.5)	279.4
Impairment losses	(32.9)	-	-	-	(5.1)	(0.9)	-	-	1.5	(37.4)
CURRENT FINANCIAL ASSETS IN LOANS AND RECEIVABLES, NET	229.0	17.4	1.2	-	11.3	0.5	3.6	-	(21.0)	242.0
OTHER CURRENT FINANCIAL ASSETS	5.1	(2.8)	-	(0.1)	-	(0.2)	0.1	-	0.1	2.2
LIQUID ASSETS AND FINANCING FINANCIAL ASSETS	170.5	13.4	-	-	-	0.3	3.9	-	-	188.1
TOTAL OTHER CURRENT FINANCIAL ASSETS, NET	404.6	28.0	1.2	(0.1)	11.3	0.6	7.6	-	(20.9)	432.3

(1) Impairment losses are recorded in financial income and expenses.

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 **2018** are as follows:

(in € million)	As of December 31, 2017 re-presented	Changes in business	Changes in consolidation scope	Fair value adjustments[1]	Foreign exchange translation	Transfer to Assets/ Liabilities classified as held for sale	Other mov-ements	As of December 31, 2018
Cash	872.8	138.2	51.5	-	(15.8)	0.4	(16.9)	1,030.2
Cash equivalents	5,391.1	(1,866.5)	2.6	0.2	(1.0)	-	(0.1)	3,526.3
CASH AND CASH EQUIVALENTS	6,263.9	(1,728.3)	54.1	0.2	(16.8)	0.4	(17.0)	4,556.5
Bank overdrafts and other cash position items	**208.9**	**(1.7)**	**41.9**	**-**	**(9.8)**	**-**	**(23.6)**	**215.7**
Net cash	**6,055.0**	**(1,726.6)**	**12.2**	**0.2**	**(7.0)**	**0.4**	**6.6**	**4,340.8**

(*) Fair value adjustments are accounted in financial income or financial expenses.

Cash and cash equivalents total €4,556.5 million, including €331.1 million "subject to restrictions" as of December 31, 2018.

The decrease over the year mainly reflects the redemption on April 16, 2018 of the deeply subordinated perpetual securities (hybrid) denominated in euros and pound sterling issued on January 23, 2013 in the nominal amount of €1 billion and GBP 400 million, respectively (€1,452 million euro equivalent, net of hedging).

As of December 31, 2018, the France segment held cash of €31.2 million, the Europe excluding France segment held cash of €231 million, the Rest of the world segment held cash of €370.6 million, the Global businesses segment held cash of €160.2 million and the Other segment held cash of €237.1 million (including €112.7 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, 2018, cash equivalents were primarily held by Veolia Environnement in the amount of €3,397.7 million, including monetary UCITS of €2,346 million and term deposit accounts of €1,050.1 million.

Bank overdrafts and other cash position items consist of credit balances on bank accounts and related accrued interest payable, corresponding to brief overdrafts.

8.1.3.2 Managements 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 period end; either for recognition in the accounts or disclosure in the Notes to the financial statements.

Fair value is determined:

i. based on quoted prices in an active market (level 1) or;

ii. using internal valuation techniques involving standard mathematical calculation methods integrating observable market data (forward rates, interest rate curves, etc.). Valuations produced by these models are adjusted to take account of a reasonable change in the credit risk of the Group or the counterparty (level 2); or

iii. using internal valuation techniques integrating factors estimated by the Group in the absence of observable market data (level 3).

Quoted prices in an active market (level 1)

When quoted prices in an active market are available, they are used in priority for the determination of the market value. Marketable securities and certain quoted bond issues are valued in this way.

Fair values determined using models integrating observable market data (level 2)

The majority of derivative instruments (swaps, caps, floors, etc.) are traded over the counter and, as such, there are no quoted prices. Valuations are therefore determined using models commonly used by market participants to value such financial instruments.

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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 entry into application of IFRS 9 involves a change to the financial assets categories. The bridge table as of December 31, 2017 is the following:

Categories applicable as of December 31, 2017 *(in € million)*	Total	Assets at fair value through other comprehensive income	Assets at amortized costs	Assets at fair value through the Consolidated Income Statement
Available-for-sale assets	261.8	70.6	191.2	
Loans and receivables	8,813.2		8,813.2	
Assets at fair value through the Consolidated Income Statement	6,360.9			6,360.9
TOTAL	15,435.9	70.6	9,004.4	6,360.9

The following tables present the net carrying amount and fair value of Group financial assets as of December 31, 2018, grouped together in accordance with IFRS 9 categories.

		As of December 31, 2018							
		Net carrying amount			Financial assets at fair value	Fair value			Method for determining fair value
(in € million)	Note	Total	Assets at fair value through other comprehensive income	Assets at amortized costs	Assets at fair value through the Consolidated Income Statement	Total	Level 1	Level 2	Level 3
Non-consolidated investments		44.3	44.3	-	-	44.3	-	44.3	-
Non-current and current operating financial assets	Note 5.4	1,486.4	-	1,486.4	-	1,638.3	-	1,638.3	-
Other non-current financial assets	Note 8.1.2	332.8	-	332.8	-	332.8	-	332.8	-
Trade receivables	Note 5.3	6,336.9	-	6,336.9	-	6,336.9	-	6,336.9	-
Other current operating receivables	Note 5.3	788.2	-	788.2	-	788.2	-	788.2	-
Other current financial assets	Note 8.1.2	432.3	-	432.3	-	432.3	-	432.3	-
Non-current and current derivative instruments	Note 8.3	100.8	-	-	100.8	100.8	-	100.8	-
Cash and cash equivalents	Note 8.1.3	4,556.5	-	-	4,556.5	4,556.5	3,376.2	1,180.3	-
TOTAL		14,078.2	44.3	9,376.6	4,657.3	14,230.1	3,376.2	10,853.9	-

As of December 31, 2018, derivatives totaling €100.8 million are classified at fair value through profit or loss, including hedging derivatives of €27.3 million.

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, 2018, grouped together in accordance with IFRS 9 categories.

									As of December 31, 2018
		Net carrying amount	Financial liabilities at fair value			Fair value	Method for determining fair value		
(in € million)	Note	Total	Liabilities at amortized cost	Liabilities at fair value through the Consolidated Income Statement	Liabilities at fair value through the Consolidated Income Statement and held for trading	Total	Level 1	Level 2	Level 3
Borrowings and other financial liabilities									
non-current bond issues	Note 8.1.1	9,043.9	9,043.9	-	-	10,290.4	10,199.7	90.7	-
other non-current borrowings	Note 8.1.1	611.6	611.6	-	-	652.1	-	652.1	-
current borrowings	Note 8.1.1	3,895.4	3,895.4	-	-	3,895.4	-	3,895.4	-
bank overdrafts and other cash position items	Note 8.1.3	215.7	215.7	-	-	215.7	-	215.7	-
Trade payables	Note 5.3	4,748.2	4,748.2	-	-	4,748.2	-	4,748.2	-
Concession liabilities	Note 5.5	1,468.4	1,468.4	-	-	1,468.4	-	1,468.4	-
Non-current and current derivative instruments	Note 8.3	139.5	139.5	-	-	139.5	-	101.2	38.3
Other operating payables	Note 5.3	4,239.5	4,239.5	-	-	4,239.5	-	4,239.5	-
TOTAL		24,362.2	24,362.2	-	-	25,649.2	10,199.7	15,411.2	38.3

As of December 31, 2018, derivatives totaling €139.5 million are classified at fair value through profit or loss, including hedging derivatives of €38.7 million.

8.2.4 Offsetting of financial assets and financial liabilities

As of December 31, 2018, derivatives managed under ISDA or EFET agreements are the only financial assets and/or liabilities covered by a legally enforceable master netting agreement. These instruments may only be offset in the event of default by one of the parties to the agreement; therefore they are not presented on a net basis in the Statement of Financial Position.

Such derivatives are recognized in assets in the amount of €100.8 million and in liabilities in the amount of €139.5 million in the Consolidated Statement of Financial Position as of December 31, 2018.

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 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 Management of market risk

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, 2017		As of December 31, 2018	
(in € million)	Notes	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	8.3.1.1	**7.0**	**21.4**	**14.6**	**4.4**
Fair value hedges		4.3	15.4	12.4	-
Cash flow hedges		-	0.5	-	0.2
Derivatives not qualifying for hedge accounting		2.7	5.5	2.2	4.2
Foreign currency derivatives	8.3.1.2	**70.8**	**75.4**	**59.6**	**70.5**
Net investment hedges		23.1	11.2	0.7	24.9
Fair value hedges		13.8	9.9	12.6	11.8
Cash flow hedges		1.0	3.8	0.6	1.0
Derivatives not qualifying for hedge accounting		32.9	50.5	45.7	32.8
Commodity derivatives	8.3.1.3	**19.2**	**60.7**	**26.6**	**64.6**
TOTAL DERIVATIVES		97.0	157.5	100.8	139.5
o/w non-current derivatives		**27.1**	**108.4**	**31.6**	**55.8**
o/w current derivatives		**69.9**	**49.1**	**69.2**	**83.7**

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, 2018		Level 2 *(%)*		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%

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.

	As of December 31, 2017		Level 2 *(%)*		Level 3 *(%)*	
(in € million)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	7.0	21.4	100.0%	100.0%	-	-
Foreign currency derivatives	70.8	75.4	100.0%	100.0%	-	-
Commodity derivatives	19.2	60.7	100.0%	26.2%	-	73.8%
TOTAL DERIVATIVES	97.0	157.5	100.0%	71.6%	0.0%	28.4%

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, 2017		As of December 31, 2018	
(in € million)	Outstandings	% total debt	Outstandings	% total debt
Fixed rate	10,084.1	70.6%	10,474.9	72.3%
Floating rate	4,197.0	29.4%	4,018.7	27.7%
Gross debt before hedging	14,281.1	100.0%	14,493.6	100.0%
Fixed rate	8,802.4	61.6%	9,947.7	68.6%
Floating rate	5,478.7	38.4%	4,545.9	31.4%
Gross debt after hedging and fair value remeasurement of fixed-rate debt	14,281.1	100.0%	14,493.6	100.0%
Fair value adjustments to (assets)/liability hedging derivatives	**(1.3)**		**6.1**	
GROSS DEBT AT AMORTIZED COST	14,279.8		14,499.7	

Total gross debt as of December 31, 2018, after hedging, is 68.6% fixed-rate and 31.4% floating-rate.

As of December 31, 2018, the Group has cash and cash equivalents of €4.556.5 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 €203.3 million, maturing €992.3 million in less than one year, -€191.2 million in 1 to 5 years and -€597.8 million after 5 years.

Interest rate fair value hedges

The risk of volatility in the value of debt is hedged by fixed-rate receiver/floating-rate payer swaps which change bond issues to floating-rate debt (see Note 8.1.1.1) recorded in non-current and current borrowings.

Fair value hedging swaps represent a notional outstanding amount of €500 million as of December 31, 2018, compared with €1,362.7 million as of December 31, 2017, with a net fair value in the Consolidated Statement of Financial Position of +€12.4 million as of December 31, 2018, compared with -€11.1 million as of December 31, 2017, as follows:

	Notional contract amount by maturity				Fair value of derivatives	
Fixed-rate receiver/floating-rate payer swaps (in € million)	Total	< 1 year	from 1 to 5 years	> 5 years	Total assets	Total liabilities
As of December 31, 2018	500.0	-	-	500.0	12.4	-
As of December 31, 2017	1,362.7	112.7	-	1,250.0	4.3	15.4

As of December 31, 2018, accumulated fair value hedging adjustments to bond issues included in their net carrying amount totaled €253.6 million.

The change in the nominal amount of the fair value hedging portfolio is mainly due to the expiry at maturity of swaps denominated in pound sterling and the early reversal of euro swaps hedging the bond issues maturing in 2027 and 2028, as well as the set-up of floating-rate payer swaps hedging the 2026 bond issue in the amount of €500 million.

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.

Floating-rate receiver/fixed-rate payer swaps/purchases of caps (in € million)	Notional contract amount by maturity				Fair value of derivatives	
	Total	< 1 year	from 1 to 5 years	> 5 years	Total assets	Total liabilities
As of December 31, 2018	12.1	-	2.3	9.8	-	0.2
As of December 31, 2017	14.2	-	3.1	11.1	-	0.5

An amount of -€28.2 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, 2018. -€1.8 million was released from equity to net income as of December 31, 2018.

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.

(in € million)	Notional amount as of December 31, 2018				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 INTEREST-RATE DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	585.2	538.4	31.6	15.2	2.2	4.2

The decrease in the portfolio of interest rate derivatives not qualifying for hedge accounting between 2017 and 2018 is mainly due to:

- the expiry at maturity of short-term financial instruments hedging cash investments totaling approximately €3,007 million;
- the set-up of new transactions hedging cash investments in the amount of €538 million;
- the expiry at maturity of economic hedging transactions, not classified as hedges for accounting purposes, in the amount of €112.7 million.

Recap: the breakdown as of **December 31, 2017** is as follows:

(in € million)	Notional amount as of December 31, 2018				Fair value of derivatives	
	Total	< 1 year	from 1 to 5 years	> 5 years	Total assets	Total liabilities
Total firm financial instruments	3,170.6	3,119.8	33.2	17.6	2.7	5.5
TOTAL INTEREST-RATE DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	3,170.6	3,119.8	33.2	17.6	2.7	5.5

8.3.1.2 Management of foreign exchange risk

The Group's international activities generate significant foreign currency flows.

The Group's central Treasury Department manages foreign exchange risk centrally within limits set by the Chief Finance Officer.

Foreign exchange risk, as defined by IFRS 7, mainly results from:

a) foreign currency-denominated purchases and sales of goods and services relating to operating activities and the related hedges. The Group has no significant exposure to foreign exchange transaction risk. The activities of the Group are performed by subsidiaries operating in their own country and their own currency. Exposure to foreign exchange risk is therefore naturally limited;

b) foreign currency-denominated financial assets and liabilities including foreign currency-denominated loans/borrowings and related hedges (*e.g.* forex swaps). With many operations worldwide, Veolia organizes financing in local currencies. In the case of inter-company financing, these credit lines can generate foreign exchange risk. In order to limit the impact of this risk, Veolia has developed a policy which seeks to back foreign-currency financing and foreign currency derivatives with intercompany receivables denominated in the same currency. The asset exposure hedging strategy primarily involves hedging certain net foreign investments and ensuring that Group companies do not have a material balance sheet foreign exchange position that could generate significant volatility in foreign exchange gains and losses;

c) investments in foreign subsidiaries reflected by the translation of accounts impacting the translation reserves.

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 net finance cost, *i.e.* a euro-equivalent of -€413.8 million in 2018, is primarily denominated in EUR (32%), GBP (12%), 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 €15.3 million increase in the net finance cost, while a 10% depreciation in these currencies would generate a €12.5 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:	
(in € million)	Euro	Pound Sterling	US dollar	Polish zloty	Czech crown	Australian dollar	Chinese renminbi yuan	Other currencies	Total	10%	-10%
Revenue	12,499.4	2,231.6	2,328.0	1,057.6	1,116.9	1,026.7	794.5	4,856.4	25,911.1	1,477.9	1,209.2
Operating income	274.1	179.1	112.0	113.7	222.9	17.3	226.7	273.8	1,419.6	126.9	(103.8)

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 against Euro would increase net assets by €471 million, while a 10% depreciation in these currencies would reduce net assets by €385 million.

Hedge of a net investment in a foreign operation

Financial instruments designated as net investment hedges break down as follows:

Financial instruments *(in € million)*	Notional amounts as of December 31, 2018 by maturity date: Amount	Less than 1 year	From 1 to 5 years	More than 5 years	Fair value of derivatives: Total assets	Total liabilities
Currency payer swap	147.1	132.2	14.9	-	-	2.1
Currency receiver swap	2.4	2.4	-	-	-	0.1
Options	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**

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.

The change in the fair value compared with December 31, 2017 is mainly due to a -€39.2 million decrease in the fair value of the option portfolio.

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, options tunnels) 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 is presented in Note 9.2.4.

Recap: the breakdown as of **December 31, 2017** is as follows:

Financial instrument (in € million)	Notional amounts as of December 31, 2017 by maturity date				Fair value of derivatives	
	Amount	Less than 1 year	From 1 to 5 years	More than 5 years	Total assets	Total liabilities
Currency payer swap	152.2	152.2	-	-	0.6	0.6
Currency receiver swap	1.3	1.3	-	-	-	-
Options	1,048.8	1,048.8	-	-	20.8	2.8
Embedded derivatives (forward sale)	6.7	6.7	-	-	-	0.6
Cross currency swaps	150.8	-	90.8	60.0	1.7	7.2
TOTAL FOREIGN CURRENCY DERIVATIVES	1,359.8	1,209.0	90.8	60.0	23.1	11.2

Foreign currency fair value hedges

Financial instruments designated as fair value hedges break down as follows:

Financial instrument (in € million)	Notional amounts as of December 31, 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	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

The fair value hedges presented above mainly consist of foreign currency hedges in respect of construction contracts for water treatment plants and sludge incineration plants.

Financial instrument (in € million)	Notional amounts as of December 31, 2017 by maturity date				Fair value of derivatives	
	Amount	Less than 1 year	From 1 to 5 years	More than 5 years	Total assets	Total liabilities
Forward purchases	155.9	154.0	1.9	-	1.8	4.6
Forward sales	411.0	401.6	9.4	-	12.0	5.3
FOREIGN CURRENCY DERIVATIVES: FAIR VALUE HEDGE	566.9	555.6	11.3	-	13.8	9.9

Foreign currency cash flow hedges

Financial instruments designated as cash flow hedges break down as follows:

Financial instrument (in € million)	Notional amounts as of December 31, 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

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 (in € million)	Notional amounts as of December 31, 2017 by maturity date				Fair value of derivatives	
	Amount	Less than 1 year	From 1 to 5 years	More than 5 years	Total assets	Total liabilities
Forward purchases	61.4	58.4	3.0	-	0.6	1.2
Forward sales	101.1	86.6	14.5	-	0.4	2.6
FOREIGN CURRENCY DERIVATIVES: CASH FLOW HEDGE	162.5	145.0	17.5	-	1.0	3.8

Hedges of currency exposure in the Consolidated Statement of Financial Position by derivatives not qualifying for hedge accounting

Financial instrument (in € million)	Notional amounts as of December 31, 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

The above portfolio of foreign currency derivatives was mainly contracted by Veolia Environnement to hedge its foreign currency-denominated net financial debt (comprising foreign currency-denominated borrowings and foreign currency-denominated inter-company loans and borrowings).

Financial instrument (in € million)	Notional amounts as of December 31, 2017 by maturity date				Fair value of derivatives	
	Amount	Less than 1 year	From 1 to 5 years	More than 5 years	Total assets	Total liabilities
Currency receiver swaps and forward purchases	1,673.0	1,667.5	5.5	-	4.1	3.9
Currency paper swaps and forward purchases	5,459.1	5,324.9	81.6	52.6	28.5	29.2
Embedded derivatives	43.1	19.4	23.7	-	0.3	17.4
FOREIGN CURRENCY DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING					32.9	50.5

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, 2018, the fair value of commodity derivatives is recorded €26.6 million in assets and €64.8 million in liabilities.

	As of December 31, 2017		As of December 31, 2018	
(in € million)	Assets	Liabilities	Assets	Liabilities
Commodity derivatives	**19.2**	**60.7**	**26.6**	**64.6**
Electricity	12.5	60.5	25.6	63.8
Petroleum products	-	-	-	-
CO_2	0.8	-	-	-
Coal	5.1	0.2	0.8	0.2
Gas	0.8	-	0.2	0.6
Other	-	-	-	-

These derivatives break down by hedge type as follows:

	As of December 31, 2017		As of December 31, 2018	
(in € million)	Assets	Liabilities	Assets	Liabilities
Commodity derivatives	**19.2**	**60.7**	**26.6**	**64.6**
Cash flow hedges	2.9	0.1	1.0	0.8
Derivatives not qualifying for hedge accounting	16.3	60.6	25.6	63.8

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Electricity risk

Certain 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, 2018 by maturity date			
(in € million)	Total amount	Less than 1 year	From 1 to 5 years	More than 5 years
Electricity purchase instrument:				
• in Gwh	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	

Electricity purchase and sales instruments maturing in 2019 have a market value of –€11 million (based on valuation assumptions at the year-end). Instruments maturing after 2019 have a market value of -€27.0 million. These transactions are recorded in the Consolidated Statement of Financial Position at fair value based on the quoted price of commodities with similar maturities and using internal models integrating non-observable data in the absence of a liquid market.

A 10% increase or decrease in the price of electricity (all other things being equal) would have an impact on net income of +€9.1 million and -€7.9 million, respectively.

	Contract notional amounts as of December 31, 2017 by maturity date			
(in€ million)	Total amount	Less than 1 year	From 1 to 5 years	More than 5 years
Electricity purchase instrument:				
• in Gwh	5,952	1133	2,743	2,076
• in € million	184	40	83	61
Electricity sales instrument:				
• in Gwh	1,834	1188	646	
• in € million	59	37	22	

Greenhouse gases

As explained in Chapter 1, Section 1.6 of the Registration Document, the increase in greenhouse gases in the atmosphere led certain States and the international community to introduce regulatory measures to limit this trend.

Under European regulations, the actual emissions position is determined each year and the corresponding rights surrendered. The Group then purchases or sells emission rights, depending on whether actual emissions are greater or lesser than emission rights allocated.

In the absence of specific IFRS provisions, the Group has adopted the "net liability approach," which involves the recognition of a liability at the period end if actual emissions exceed allowances held, in accordance with IAS 37.

Allowances are managed as a production cost and, in this respect, are recognized in inventories at:

- nil value, when they are received free of charge;
- acquisition cost, if purchased for valuable consideration on the market.

Consumption of this inventory is recognized on a weighted-average unit cost basis.

Transactions in these allowances performed on the forward market are generally recognized outside the application scope of IFRS 9 ("own use" exemption), except for certain specific transactions related to the hedging of electricity production activities.

The position in **2018** is as follows:

Volumes *(in thousands of metric tons)*	As of January 1, 2018	Changes in scope of consolidation	Granted	Purchased/ Sold/ Cancelled	Used	As of December 31, 2018
TOTAL	500	619	2,656	5,174	(7,934)	1,015

Free allocations still to be received in respect of phase III of the Emissions Trading Scheme covering the period 2019 to 2020 are estimated at €80.5 million for the Group, based on a valuation at the spot price as of December 31, 2018.

8.3.2 Management of liquidity risk

The operational management of liquidity and financing is managed by the Treasury and Financing Department. This management involves the centralization of major financing in order to optimize liquidity and cash.

The Group secures financing on international bond markets, international private placement markets, the treasury Note market and the bank lending market (see Note 8.1.1.3, Non-current and current financial liabilities).

8.3.2.1 Maturity of financial liabilities

As of December 31, 2018, **undiscounted contractual flows on net financial debt** (nominal value) break down by maturity date as follows:

	As of December 31, 2018		Maturity of undiscounted contractual flows					
(in € million)	Carrying amount	Total undiscounted contractual flows	2019	2020	2021	2022	2023	Beyond 5 years
Bond issues[1]	9,771.0	9,934.2	723.9	940.1	1,325.0	1,362.0	614.6	4,968.6
Other borrowings	4,721.1	5,048.1	4,282.3	125.3	300.6	203.7	39.7	96.5
Gross borrowings excluding the impact of amortized cost and hedging derivatives	**14,492.1**	**14,982.3**	**5,006.2**	**1,065.4**	**1,625.6**	**1,565.7**	**654.3**	**5,065.1**
Impact of derivatives hedging debt	6.1							
Gross borrowings	**14,498.2**							
Cash and cash equivalents	(4,556.5)							
Liquid assets and financing financial assets	(192.8)							
Net financial debt	**9,748.9**							

(1) Excluding the impact of amortized cost and derivatives hedging debt.

8.3.2.2 Net liquid asset position

Net liquid assets of the Group as of December 31, 2018 break down as follows:

(in € million)	As of December 31, 2017	As of December 31, 2018
Veolia Environnement:		
Undrawn MT syndicated loan facility	3,000.0	3,000.0
Undrawn MT bilateral credit lines	925.0	925.0
Undrawn ST bilateral credit lines	-	-
Letters of credit facility	55.1	64.7
Cash and cash equivalents(1)	5,371.0	3,510.6
Subsidiaries:		
Cash and cash equivalents(1)	1,067.9	1,238.7
TOTAL LIQUID ASSETS	10,419.0	8,739.0
Current debt and bank overdrafts and other cash position items		
Current debt	4,607.0	4,622.5
Bank overdrafts and other cash position items	208.9	215.7
TOTAL CURRENT DEBTS AND BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS	4,815.9	4,838.2
TOTAL LIQUID ASSETS NET OF CURRENT DEBTS AND BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS (1)	5,603.1	3,900.8

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

As of December 31, 2018, Veolia had total liquid assets of €8.7 billion, including cash and cash equivalents of €4.6 billion.

As of December 31, 2018, cash equivalents were mainly held by Veolia Environnement in the amount of €3,397.7 million. They comprise monetary UCITS of €2,346.0 million and term deposit accounts of €1,050.1 million.

Improved credit outlook

In October 2018, Moodys confirmed Veolia Environnement's credit rating at P-2/Baa1 with a stable outlook.

At the end of January 2019, S&P confirmed its rating at A-2/BBB 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

Veolia Environnement has bilateral credit lines for a total undrawn amount of €925 million as of December 31, 2018.

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, 2018	Maturing in				
(in € million)	Total	2019	2020	2021	2022	2023
Undrawn syndicated loan facility	3,000.0	-	-	-	3,000.0	-
Credit lines	925.0	-	600.0	100.0	225.0	-
Letters of credit facility	64.7	-	-	64.7	-	-
TOTAL	3,989.7	-	600.0	164.7	3,225.0	-

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, 2018.

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, 2018			Breakdown by customer type			
(in € million)	Note	Gross carrying amount	Impairment losses	Net carrying amount	Public customers - Delegating authority	Private customers - Individuals	Public customers - Other	Private customers- Companies
Non-current and current operating financial assets	5.4	1,565.5	(79.1)	1,486.4	1,160.3	-	23.8	302.3
Trade receivables	5.3	7,109.4	(772.7)	6,336.7	826.0	1,286.4	1,402.5	2,821.8
Other current operating receivables	5.3	862.4	(74.2)	788.2	106.9	183.1	77.8	420.4
Non-current financial assets in loans and receivables	8.1.2	385.6	(71.1)	314.5	23.0	4.9	15.2	271.4
Current financial assets in loans and receivables	8.1.2	279.4	(37.4)	242.0	40.6	11.0	13.9	176.5
LOANS AND RECEIVABLES		10,202.3	(1,034.5)	9,167.8	2,156.8	1,485.4	1,533.2	3,992.4
Other financial assets	8.1.2	**215.6**	**(7.0)**	**208.6**	**9.1**	**0.9**	**0.2**	**198.4**
TOTAL AS OF DECEMBER 31, 2018		10,417.9	(1,041.5)	9,376.4	2,165.9	1,486.3	1,533.4	4,190.8
TOTAL AS OF DECEMBER 31, 2017 RE-PRESENTED		10,046.2	(1,080.4)	8,965.8	2,241.9	1,260.5	1,511.2	3,952.2

Assets past due and not impaired break down as follows:

			Assets past due but not impaired			
(in € million)	Note	Net carrying amount	Amount not yet due	0-6 months	6 months – 1 year	More than 1 year
Non-current and current operating financial assets	5.4	1,486.4	1,479.4	2.5	1.5	3.0
Trade receivables	5.3	6,336.7	4,496.7	1,489.5	205.7	144.8
Other current operating receivables	5.3	788.2	543.2	189.2	23.2	32.6
Non-current financial assets in loans and receivables	8.1.2	314.5	314.5	-	-	-
Current financial assets in loans and receivables	8.1.2	242.0	218.2	10.3	10.2	3.3
LOANS AND RECEIVABLES AS OF DECEMBER 31, 2018	-	9,167.8	7,052.0	1,691.5	240.6	183.7
Other non-current and current financial assets	8.1.2	**208.6**	**25.5**	**183.1**	**-**	**-**
TOTAL AS OF DECEMBER 31, 2018		9,376.4	7,077.5	1,874.6	240.6	183.7
TOTAL AS OF DECEMBER 31, 2017 RE-PRESENTED		8,965.8	6,762.8	1,636.6	269.6	296.8

Assets past due over six months are mainly concentrated in Italy, France, Colombia and Mexico.

In Italy, net trade receivables past due over 6 months for all Group subsidiaries total €38.4 million as of December 31, 2018, compared with €65.0 million as of December 31, 2017. Furthermore, in this country, trade receivables consist of private customers, public authorities and state bodies for which the recovery period is long.

In France, net trade receivables past due over 12 months total €44.7 million at the end of 2018 (€78.0 million at the end of 2017).

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 (€3.4 billion as of December 31, 2017) are managed with a profitability objective close to that of the money market, avoiding exposure to capital risk and maintaining a low level of volatility.

They were injected into the following types of investment:

- UCITS satisfying the AMF cash and cash equivalents classification for €2,346.0 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 €1,050.1 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 €33.2 million, while finance expenses total -€446.9 million in 2018.

Net finance costs presented in the Consolidated Cash Flow Statement reflect the net finance costs of continuing operations presented above and the net finance costs of discontinued operations of nil in 2018.

The heading "Interest paid" in the Consolidated Cash Flow Statement reflects the net finance costs of continuing and discontinued operations adjusted for accrued interest of -€11.9 million and fair value adjustments to hedging derivatives of -€19.4 million in 2018.

(in € million)	As of December 31, 2017 re-presented	As of December 31, 2018
Expenses on gross debt	(356.1)	(318.6)
Assets at fair value through the Consolidated Income Statement (fair value option)*	13.1	12.9
Net gains and losses on derivative instruments, hedging relationships and other	(66.9)	(108.1)
COST OF NET FINANCIAL DEBT	(409.8)	(413.8)

* *Cash equivalents are valued at fair value through the Consolidated Income Statement.*

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Net gains and losses on derivative instruments, hedging relationships and other mainly include the following amounts for fiscal year 2018:

- net interest income on hedging relationships (fair value hedges and cash flow hedges) of -€17.6 million;
- net losses on derivatives not qualifying for hedge accounting of -€90.2 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 2018 or 2017.

8.4.2 Other financial income and expenses

Other financial income and expenses primarily include income on financial receivables, excluding I4 and I12 financial receivables, calculated using the effective interest rate method, capital gains and losses on disposals of financial assets, net of disposal costs, dividends, foreign exchange gains and losses and impairment losses on financial assets and the unwinding of discounts on provisions.

(in € million)	As of December 31, 2017 re-presented	As of December 31, 2018
Net gains and losses on loans and receivables	21.6	14.0
Capital gains and losses on disposals of financial assets, net of disposal costs	8.0	5.6
Net gains and losses on available-for-sale assets(1)	4.6	4.6
Assets and liabilities at fair value through the Consolidated Income Statement	0.3	(0.1)
Unwinding of the discount on provisions	(35.4)	(30.4)
Foreign exchange gains and losses	(23.8)	(10.6)
Interest on operating asset	(94.3)	(94.2)
Other	(22.6)	(36.7)
OTHER FINANCIAL INCOME AND EXPENSES	(141.6)	(147.8)

(1) Including dividends received of €4.6 million as of December 31, 2018 and €3.4 million as of December 31, 2017.

In **2018**, other financial income and expenses include the impact of:

- fair value remeasurement and sundry financial divestitures in the Czech Republic in 2018 of -€48.3 million;
- the sale of Veolia ES Industrial Services Inc. in the amount of €36.6 million;
- the sale of Juijang in China in the amount of €18.5 million.

In 2017, other financial income and expenses mainly comprise the impact of fair value remeasurement and sundry financial divestitures in Asia in the amount of €39.7 million and the impact of the sale of Mehrum in Germany of -€15.2 million.

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 given break down as follows:

			Maturing in		
(in € million)	As of December 31, 2017	As of December 31, 2018	Less than 1 year	1 to 5 years	More than 5 years
Letters of credit	29.0	32.3	28.1	3.6	0.6
Debt guarantees	20	32.3	19.4	0.4	12.5
Other financing commitments given	69.7	77.1	38.6	27.6	10.9
TOTAL FINANCING COMMITMENTS GIVEN	118.7	141.7	86.1	31.6	24.0

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 €3.6 million as of December 31, 2018 against €4.9 million as of December 31, 2017.

8.5.2 Commitments received

Commitments received total €117.1 million as of December 31, 2018 and €116.2 million as of December 31, 2017.

8.5.3 Collateral guaranteeing borrowings

As of December 31, 2018, the Group has given €137.5 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 (in € million):

Type of pledge/mortgage *(in € million)*	Amount pledged (a)	Total Consoidated Statement of Financial Position (b)	Corresponding % (a)/(b)
Intangible assets	0	9,691	
Tangible assets	8	7,857	0.1%
Financial assets*	108	377	28.6%
Total non current assets	116	17,925	
Current assets	21	15,333	0.1%
TOTAL ASSETS	137		

* *As a majority of financial assets pledged as collateral are shares of consolidated subsidiaries and other financial assets, the ratio is not significant.*

The breakdown by maturity is as follows:

(in € million)	As of December 31, 2017	As of December 31, 2018	Maturing in: Less than 1 year	Maturing in: 1 to 5 years	Maturing in: More than 5 years
Intangible assets	**0**	**0**	**0**	**0**	**0**
Property, plant and equipment	**22**	**8**	**0**	**7**	**1**
Mortgage pledge	9	0	0	0	0
Other PP&E pledge(1)	13	8	0	7	1
Financial assets(2)	**113**	**108**	**49**	**59**	**0**
Current assets	**26**	**21**	**21**	**0**	**0**
Pledges on receivables	24	21	21	0	0
Pledges on inventories	2	0	0	0	0
TOTAL	161	137	70	66	1

(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 €14.5 million as of December 31, 2017.

NOTE 9 EQUITY AND EARNINGS PER SHARE

9.1 Share capital management procedures

Veolia Environnement manages its share capital within the framework of a prudent and rigorous financial policy that seeks to ensure easy access to French and international capital markets, to enable investments in projects that create value and provide shareholders with a satisfactory remuneration, while maintaining an "Investment Grade" credit rating.

With effect from September 30, 2014 and for a period of 12 months renewable by tacit agreement, Veolia Environnement entrusted ROTHSCHILD & Cie BANQUE with the implementation of a liquidity contract. To this end, an amount of thirty million euros (€30,000,000) was allocated to the operation of this liquidity account.

This liquidity contract forms part of the share buyback program authorized by the Veolia Environnement General Shareholders' Meeting of April 20, 2017, which renewed the authorization granted on April 21, 2016 to the boards of directors to buy shares of the company for a new 18-months period.

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 Chare capital increases

There were no capital increase in 2017 and 2018 expect the one mentioned in paragraph 1.1.1.2.

9.2.1.2 Share capital increase reserved for Group employees

There were no share capital increases reserved for employees in 2017.

In accordance with the delegation of powers granted by the Combined General Meeting of April 19, 2018 in the nineteenth resolution, the Board of Directors' meeting of May 2, 2018 approved the principle and the mains terms and conditions of a share capital increase reserved for employee members of the France and International Group Savings Plan and delegated the necessary powers to perform this transaction.

Using this delegation, the Chairman and Chief Executive Officer duly noted on September 20, 2018, the performance of this share capital increase for a total amount of €34.1 million.

Under this share capital increase, a total of 2,228,518 shares were created in respect of employee subscriptions and the Group contribution, including 703,524 shares in respect of the Group contribution; the par value increase in share capital was €11,142,590, with an increase in additional paid-in capital of €22,909,165. The expenses relating to this transaction were deducted from additional paid-in capital for a net of tax amount of €1,572,214.

New shares rank for dividends from January 1, 2018.

9.2.1.3 Number of shares outstanding and per value

There were 563,364,823 shares outstanding as of December 31, 2017 and 565,593,341 shares outstanding as of December 31, 2018. The par value of each share is €5.

9.2.1.4 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 2017 and 2018

For 2017, authorized but unissued shares pursuant to share capital increases approved by the General Shareholders' Meeting of April 21, 2016 totaled 169,000,000 shares based on 563,364,823 shares outstanding as of April 21, 2016.

No shares had been issued as of December 31, 2017.

For 2018, authorized but unissued shares under the first category amounted to 169,000,000 shares on the basis of 563,364,823 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.

9.2.2 Offset of treasury shares against equity

Treasury shares are deducted from equity.

Gains or losses arising from the sale of treasury shares and related dividends are recognized directly in equity and do not impact the Consolidated Income Statement.

9.2.2.1 Purchases and sales of treasury shares

Purchase and sale transactions in Veolia Environnement shares under the liquidity contract in 2017 and 2018 were as follows:

	2017	2018
Number of shares purchased during the year	6,425,087	5,436,308
Number of shares sold during the year	7,785,087	6,630,754

As of December 31, 2018 and 2017, Veolia Environnement did not hold any shares under the liquidity contract. A €30 million drawdown authorization was granted for the operation of this liquidity contract.

13,704,835 and 12,510,389 treasury shares are held as of December 31, 2017 and December 31, 2018, respectively.

9.2.2.2 Equity risk

As of December 31, 2018, Veolia Environnement held 12,510,389 of its own shares, of which 8,389,059 are allocated to external growth operations and 4,121,330 were acquired for allocation to employees under employee savings plans. These shares have a market value of €224.6 million, based on a share price of €17.955 and a net carrying amount of €444.1 million deducted from equity.

9.2.3 Appropriation of net income and dividend distribution

The Combined General Meeting of April 19, 2018 set the cash dividend for 2017 at €0.84 per share. This dividend was paid from May 16, 2018 in the total amount of €462.6 million.

A dividend of €439.7 million was distributed by Veolia Environnement in 2017 and deducted from 2016 net income.

9.2.4 Foreign exchange gains and losses

Accumulated foreign exchange translation reserves total €28.7 million as of December 31, 2017 (attributable to owners of the Company).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi (-€118.8 million), the US dollar (-€134.2 million) and the Hong Kong dollar (+€96.4 million).

Accumulated foreign exchange translation reserves total -€103.1 million as of December 31, 2018 (attributable to the owners of the Company).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi (-€29.3 million), the US dollar (+€31.6 million), the Czech crown (-€31.9 million) and the Hong Kong dollar (-€35.4 million).

Movements in foreign exchange translation reserves (attributable to the owners of the Company and to non-controlling interests)

(in € million)	Total	o/w attributable to owners of the Company
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	372.6	311.9
Translation differences on net foreign investments	(282.9)	(283.2)
As of December 31, 2017	**89.7**	**28.7**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	(114.1)	(106.7)
Translation differences on net foreign investments	(25.1)	(25.1)
Movements in 2018	**(139.2)**	**(131.8)**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	258.5	205.2
Translation differences on net foreign investments	(308.0)	(308.3)
AS OF DECEMBER 31, 2018	**(49.5)**	**(103.1)**

Breakdown by currency of foreign exchange translation reserves attributable to the owners of the Company

(in € million)	As of December 31, 2017	Change	As of December 31, 2018
Chinese renminbi	311.8	(29.3)	282.5
Argentinian peso	(29.4)	(35.0)	(64.4)
Czech crown	50.4	(31.9)	18.5
Australian dollar	17.7	(11.8)	5.9
US dollar	104.4	31.6	136.0
Pound sterling	(181.2)	(4.7)	(185.9)
Hong Kong dollar	(183.5)	(35.4)	(218.9)
Mexican peso	(34.5)	11.9	(22.6)
Polish zloty	(9.2)	(14.8)	(24.0)
Other currencies	(17.8)	(12.4)	(30.2)
TOTAL	28.7	(131.8)	(103.1)

9.2.5 Fair value reserves

Fair value reserves attributable to owners of the Company total -€56.3 million as of December 31, 2017 and -€62.5 million as of December 31, 2018, and break down as follows:

(in € million)	Available for-sale securities	Commodity derivatives hedging cash flows	Foreign currency derivatives hedging cash flows	Interests rate derivatives hedging cash flows	Total	o/w attributable to owners of the Company
As of December 31, 2017*	**12.5**	**-**	**(5.5)**	**(62.7)**	**(55.7)**	**(56.3)**
Fair value adjustments	(4.0)	(1.3)	2.2	(1.5)	(4.6)	(4.3)
Other movements	(0.6)	0.3	0.1	(0.3)	(0.5)	(1.9)
AS OF DECEMBER 31, 2018	7.9	(1.0)	(3.2)	(64.5)	(60.8)	(62.5)

* *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, 2018, non-controlling interests mainly concern:

- in Europe excluding France: Poland (€195.1 million), the Czech Republic (-€17.6 million) and Germany (€200.4 million);
- in the Rest of the world operating segment: China (€421.7 million).

The change in non-controlling interests in 2018 is mainly due to net income for the year (€167.8 million), changes in consolidation scope (-€49.1 million), dividend distributions (-€129.8 million), and share capital increases (€22.1 million).

9.3.2 Net income (loss) attributable to non-controlling interests

Net income attributable to non-controlling interests is €167.8 million for the year ended December 31, 2018, compared with €137.6 million for the year ended December 31, 2017 re-presented.

Net income (loss) attributable to non-controlling interests breaks down by operating segment as follows:

(in € million)	As of December 31, 2017	As of December 31, 2018
France	-	(0.8)
Europe excluding France [(b)]	68.7	72.3
Rest of the world [(a)]	64.0	87.1
Global businesses	4.9	9.2
Other	-	-
NON-CONTROLLING INTERESTS	137.6	167.8

(a) Including net income attributable to non-controlling interests in Latin America (€14.1 million).
(b) Including net income attributable to non-controlling interests in Central Europe (€48.8 million).

9.4 Deeply-subordinated securities and OCEANE convertible bonds

9.4.1 Deeply-subordinated securities

In January 2013, Veolia Environnement issued deeply subordinated perpetual securities in euros and pound sterling redeemable from April 2018. The issue comprised a euro tranche of €1 billion at 4.5% yield and a pound sterling tranche of £400 million at 4.875% yield.

This instrument is recognized in equity, pursuant to IAS 32.11 and given its intrinsic terms and conditions (no mandatory repayment, no obligation to pay a coupon, except in the event of a dividend distribution to shareholders or the buyback of own shares).

The securities were redeemed on April 16, 2018.

The cost of the coupon payable to holders of deeply subordinated securities is -€66.4 million in 2018 compared with -€67.8 million in 2017.

9.4.2 OCEANE convertible bonds

On March 8, 2016, Veolia Environnement issued convertible "OCEANE" bonds.

The conversion option of this transaction, described in Note 8.1.1.1., may be settled solely in shares and is recognized in equity in the amount of €17.6 million as of December 31, 2018.

9.5 Earnings per share

Basic earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year.

Pursuant to IAS 33, the weighted average number of shares outstanding taken into account for the calculation of net income per share is adjusted for the distribution of scrip dividends during the year. Pursuant to IAS 33.9 and 12, net income attributable to owners of the Company has been adjusted to take into account the cost of the coupon payable to holders of deeply subordinated securities issued by Veolia Environnement.

Diluted earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year plus the weighted average number of ordinary shares that would be issued following the conversion into ordinary shares of all potentially dilutive ordinary shares.

Net income and the number of shares used to calculate basic and diluted earnings per share are presented below for all activities.

	As of December 31, 2017 re-presented(1)	As of December 31, 2018
Weighted average number of ordinary shares *(in millions of shares)*	**550.8**	**551.1**
Weighted average number of ordinary shares for the calculation of basic earnings per share	550.8	551.1
Theoretical number of additional shares resulting from the exercise of share purchase and subscription options	23.8	24.8
Weighted average number of ordinary shares for the calculation of diluted earnings per share (in millions of shares)	**574.6**	**575.9**
Net income (loss) attributable to owners of the Company per share *(in millions of euros)*	-	-
Net income (loss) attributable to owners of the Company	329.9*	372.9*
Net income (loss) attributable to owners of the Company per share:	-	-
Basic	0.60	0.68
Diluted	0.57	0.65
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	18.5	(50.6)
Net income (loss) from discontinued operations attributable to owners of the Company per share:	-	-
Basic	0.03	(0.09)
Diluted	0.03	(0.09)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE (IN € MILLION)	-	-
Net income (loss) from continuing operations attributable to owners of the Company	311.4	423.5
Net income (loss) from continuing operations attributable to owners of the Company per share:	-	-
Basic	0.57	0.77
Diluted	0.54	0.74

(1) 2017 adjustments concern the reclassification of Gabon in discontinued operations in accordance with IFRS 5 and IFRS 9 first application impact.
** 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 (-€66.4 million in 2018 and -€67.8 million in 2017).*

The only potentially dilutive instruments recognized by Veolia Environnement are the share subscription and purchase options presented in Note 6.2.2.

NOTE 10 PROVISIONS

Pursuant to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, a provision is recorded when, at the year end, the Group has a current legal or implicit obligation to a third party as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions cover all losses that are considered probable, and that relate to litigation (taxation, employee or other) arising in the normal course of Veolia's business operations.

As part of its obligations under public services contracts, Veolia generally has contractual obligations for the maintenance and repair of the installations it manages. The resulting maintenance and repair costs are analyzed in accordance with IAS 37 on provisions and, where necessary, a provision for contractual commitments is recorded where there are delays in work to be performed.

In the event of a restructuring, an obligation exists if, prior to the period end, the restructuring has been announced and a detailed plan produced or implementation has commenced. Future operating costs are not provided.

In the case of provisions for rehabilitation of landfill facilities, Veolia accounts for the obligation to restore a site as waste is deposited, recording a non-current asset component and taking into account inflation and the date on which expenses will be incurred (discounting). The asset is amortized based on its depletion.

Provisions for closure and post-closure costs encompass the legal and contractual obligations of the Group on the completion of operating activities at a site (primarily site rehabilitation provisions) and, more generally, expenditure associated with environmental protection (provision for environmental risks).

Provisions giving rise to an outflow after more than one year are discounted if the impact is material. Discount rates reflect current assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recorded in the Consolidated Income Statement in "Other financial income and expenses".

Movements in non-current and current provisions during **2018** are as follows:

(in € million)	As of December 31, 2017 re-presented	Addition/ Charge	Repayment/ Utilization	Reversal	Actuarial gains (losses)	Unwinding of the discount	Change in consolidation scope	Foreign exchange translation	Non-current/ current reclassification	Other movements	As of December 31, 2018
Tax litigation	103.4	15.7	(22.2)	(8.9)	-	-	1.7	(5.2)	-	-	84.5
Employee litigation	21.7	6.9	(6.7)	(2.1)	-	-	(0.6)	(0.2)	-	0.9	19.9
Other litigation	171.3	37.8	(28.7)	(16.1)	-	0.1	0.6	(0.2)	-	(2.7)	162.1
Contractual commitments	187.2	194.4	(197.0)	(1.1)	-	0.4	(99.1)	-	-	(8.3)	76.5
Provisions for work-in-progress and losses to completion on long-term contracts	145.5	53.3	(31.2)	(6.8)	-	(0.8)	-	1.6	-	(0.3)	161.3
Closure and post-closure costs	636.1	6.4	(29.6)	(6.6)	-	50.6	4.2	(3.8)	-	5.5	662.8
Restructuring provisions	122.4	19.6	(96.8)	(7.6)	-	-	-	0.2	-	2.7	40.5
Self-insurance provisions	194.7	64.2	(47.0)	(13.8)	-	0.7	-	0.1	-	(4.4)	194.5
Other provisions	193.0	71.0	(33.1)	(26.2)	-	(0.3)	(1.7)	(0.3)	-	(12.4)	190.0
Provisions excluding pensions and other employee benefits	**1,775.3**	**469.3**	**(492.3)**	**(89.2)**	**-**	**50.7**	**(94.9)**	**(7.9)**	**-**	**(18.9)**	**1,592.1**
Provisions for pensions and employee benefits	**743.3**	**71.5**	**(72.5)**	**(17.3)**	**0.1**	**12.7**	**(15.4)**	**2.0**	**-**	**3.9**	**728.3**
TOTAL PROVISIONS	2,518.6	540.8	(564.8)	(106.5)	0.1	63.4	(110.3)	(5.9)	-	(15.0)	2,320.4
NON-CURRENT PROVISIONS	1,941.6	319.8	(269.6)	(57.9)	0.1	63.7	(104.8)	(0.1)	(85.8)	(13.7)	1,790.3
CURRENT PROVISIONS	577.0	221.0	(295.2)	(48.6)	-	(0.3)	(5.5)	(5.8)	85.8	1.7	530.1

Provisions for litigation total €266.5 million overall as of December 31, 2018, compared with €296.4 million overall as of December 31, 2017.

The France, Europe excluding France, Rest of the world and Global businesses operating segments account for €72.4 million, €80.4 million, €41.9 million and €44.2 million of these provisions, respectively, as of December 31, 2018.

Additional information on the main litigation is presented in Note 12.

As of December 31, 2018, **provisions for contractual commitments** primarily concern the France operating segment in the amount of €47.6 million.

The change in consolidated scope of -€99.1 million concerns the Group's exit from Gabon.

Provisions for work-in-progress and losses to completion on long-term contracts total €161.3 million as of December 31, 2018 and mainly concern the France operating segment in the amount of €37.7 million, the Europe excluding France operating segment in the amount of €33.9 million, the Rest of the world operating segment in the amount of €49.3 million and the Global businesses operating segment in the amount of €40.4 million.

Provisions for closure and post-closure costs total €662.8 million as of December 31, 2018 compared with €636.1 million as of December 31, 2017 and mainly concern the following operating segments:

- France in the amount of €244.6 million in 2018, compared with €230.7 million in 2017;
- Europe excluding France, in the amount of €213.3 million in 2018, compared with €202.1 million in 2017.

The change in these provisions in 2018 is mainly due to the unwinding of the discount in the amount of €50.6 million.

By nature of obligation, these provisions concern:

- provisions for site rehabilitation in the amount of €602.4 million at the end of 2018 compared with €571.1 million at the end of 2017;
- provisions for environmental risks in the amount of €43.9 million at the end of 2018 compared with €50.2 million at the end of 2017;
- provisions for plant dismantling in the amount of €16.5 million at the end of 2018, compared with €14.7 million at the end of 2017.

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 €22.7 million as of December 31, 2018, compared with €31.1 million as of December 31, 2017;
- Europe excluding France, in the amount of €53.1 million as of December 31, 2018, compared with €60.3 million as of December 31, 2017;
- the Rest of the world in the amount of €39.8 million as of December 31, 2018, compared with €39.0 million as of December 31, 2017.
- Global businesses in the amount of €50.6 million as of December 31, 2018, compared with €29.6 million as of December 31, 2017.

Provisions for pensions and other employee benefits total €728.3 million as of December 31, 2018, and include provisions for pensions and other post-employment benefits of €644.2 million (detailed in Note 6.3).

NOTE 11 INCOME TAX EXPENSE

11.1 Income taxes

The income tax expense (income) includes the current tax expense (income) and the deferred tax expense (income).

11.1.1 Analysis of the income tax expense

The income tax expense breaks down as follows:

(in € million)	2017 re-presented	2018
Current income tax (expense) income	**(174.8)**	**(225.3)**
France	7.3	(15.4)
Other countries	(182.1)	(209.9)
Deferred tax (expense) income	**(42.3)**	**25.1**
France	(6.5)	20.0
Other countries	(35.8)	5.1
TOTAL INCOME TAX EXPENSE	(217.2)	(200.2)

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

	2017 re-presented	2018
Net income (loss) from continuing operations (a)	516.8	657.7
Share of net income (loss) of associates (b)	34.9	44.2
Share of net income (loss) of joint ventures (c)	63.5	71.7
Share of net income (loss) of other equity-accounted entities (d)	22.8	-
Income tax expense (e)	(217.2)	(200.2)
Net income from continuing operations before tax (f) = (a)-(b)-(c)-(d)-(e)	612,8	742,0
Effective tax rate (e)/(f)	**35.4%**	**27.0%**
Theoretical tax rate[(1)]	**34.4%**	**34.4%**
Net impairment losses on goodwill not deductible for tax purposes	(0.1%)	0.0%
Differences in tax rate	(8.2%)	(12.7%)
Capital gains and losses on disposals	0.0%	1.1%
Dividends	0.6%	0.9%
Taxation without basis	(0.3%)	4.5%
Effect of tax projections[(2)]	5.1%	(0.3%)
Other permanent differences	3.9%	(0.9%)
EFFECTIVE TAX RATE	35.4%	27.0%

(1) The tax rate indicated is the statutory tax rate in France applicable in fiscal years 2016 and 2017.
(2) Effect of tax projections include primarily impairment losses on deferred tax assets and capitalized deferred taxes.

The main elements explaining the effective tax rate in **2018** are as follows:

- transactions in countries with a lower tax rate than the French standard rate;
- taxes without tax bases, notably withholding taxes.

It is recalled that the main elements explaining the effective tax rate in 2017 were as follows:

- recognition of an impairment loss of €37 million on deferred tax assets on US tax group losses, following the tax rate reduction introduced by US tax reforms and applicable from January 1, 2018;
- the non-capitalization of French tax group losses;
- transactions in countries with a lower tax rate than the French standard rate;
- tax income of €20 million in respect of the dispute concerning the 3% contribution on dividends in France.

11.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities are generally recognized on timing differences and/or tax loss carry forwards.

Deferred tax assets arising from timing differences are only recognized when it is probable that:

- there are sufficient taxable timing differences within the same tax group or tax entity that are expected to reverse in the same periods as the expected reversal of such deductible timing differences or in the periods when the deferred tax assets arising from tax losses can be carried back or forward;
- or the Group is likely to generate sufficient future taxable profits against which the asset can be offset.

At each period end, the Group reviews the recoverable amount of deferred tax assets arising from material tax losses carried-forward.

Deferred tax assets arising from these tax losses are no longer recognized or are reduced when required by the specific facts and circumstances of each company or tax group concerned, and particularly when:

- the forecast period and uncertainties regarding the economic environment no longer enable the probability of utilization to be assessed;
- the companies have not started utilizing the losses;
- the forecast utilization period exceeds the carry forward period authorized by tax legislation;
- offset against future taxable profits is uncertain due to the risk of different interpretations of the application of tax legislation.

Deferred tax assets and liabilities are adjusted for the effects of changes in prevailing tax laws and rates at the year end. Deferred tax balances are not discounted.

Movements in deferred tax assets and liabilities during **2018** are as follows:

(in € million)	December 31, 2017	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, 2018
Deferred tax, gross	2,116.9	(4.8)	7.8	14.5	4.6	1.4	0.2	2,140.6
Deferred tax assets not recognized	(1,151.8)	52.3	(5.6)	(8.3)	(1.2)	-	2.2	(1,112.4)
DEFERRED TAX ASSETS, NET	965.1	47.5	2.2	6.2	3.4	1.4	2.4	1,028.2
DEFERRED TAX LIABILITIES	970.1	22.4	1.3	46.5	(0.6)	4.2	(1.3)	1,042.6

As of December 31, 2018, deferred tax assets not recognized totaled -€1,112.4 million, including -€908.2 million on tax losses and -€204.2 million on timing differences. As of December 31, 2017, such deferred tax assets totaled -€1,151.8 million, including -€845.6 million on tax losses and -€306.1 million on timing differences.

Deferred tax assets and liabilities **break down by nature** as follows:

(in € million)	As of December 31, 2017 re-presented	As of December 31, 2018
DEFERRED TAX ASSETS	-	-
Tax losses	1,066.9	1,179.6
Provisions and impairment losses	162.3	143.3
Employee benefits	201.7	200.4
Financial instruments	104.9	89.8
Operating financial assets	42.0	40.1
Fair value of assets purchased	36.5	10.0
Foreign exchange gains and losses	0.9	4.1
Finance leases	6.8	4.5
Intangible assets, PP&E and operating finanial assets	96.6	96.9
Other	398.3	371.9
DEFERRED TAX ASSETS, GROSS	2,116.9	2,140.6
DEFERRED TAX ASSETS NOT RECOGNIZED	(1,151.8)	(1,112.4)
RECOGNIZED DEFERRED TAX ASSETS	965.1	1,028.2

(in € million)	As of December 31, 2017 re-presented	As of December 31, 2018
DEFFERED TAX LIABILITIES	-	-
Intangible assets and Property plant and equipment	430.9	482.8
Fair value of assets purchased	175.7	162.7
Operating financial assets	72.7	71.3
Financial instruments	18.2	81.6
Finance leases	58.2	50.7
Provisions	39.8	33.7
Foreign exchange gains and losses	5.9	12.4
Employee benefits	35.9	36.1
Other	132.8	111.2
DEFERRED TAX LIABILITIES	970.1	1,042.6

The breakdown **by main tax group** as of December 31, 2018 is as follows:

(in € million)	Recognized deferred tax assets on tax losses	Recognized deferred tax assets on timing differences	Deferred tax liabilities on timing differences	Net recognized deferred tax position
France Veolia tax group	**19.2**	**148.8**	**(148.8)**	**19.2**
United States tax group	**134.1**	**118.8**	**(194.4)**	**58.8**
TOTAL FOR THE MAIN TAX GROUPS	153.3	267.6	(343.2)	77.8

As of December 31, 2018, the tax group in the United States has ordinary tax losses carried forward, relating to the restructuring of Water activities in 2006 and associated with losses incurred by the former activities of US Filter.

The timing schedule for the reversal of the net deferred tax position on timing differences and the deferred tax asset position on tax losses of the France tax group and the United States tax group is as follows:

	Deferred tax assets on tax losses			Net deferred tax on timing differences			Total		
(in € million)	5 years or less	More than 5 years	Total	5 years or less	More than 5 years	Total	5 years or less	More than 5 years	Total
France Veolia tax group	19.2	-	19.2	-	-	-	19.2	-	19.2
United States tax group	134.1	-	134.1	13.5	(89.0)	(75.5)	147.6	(89.0)	58.6

The **expiry schedule** for deferred tax assets on tax losses recognized and not recognized as of December 31, 2018 is as follows:

	Maturity			
(in € million)	5 years or less	More than 5 years	Unlimited	Total
Recognized tax losses	**20.5**	**161.6**	**89.8**	**271.9**
Tax losses not recognized	**66.1**	**95.9**	**746.1**	**908.1**

Deferred tax assets and liabilities **break down by destination** as follows:

(in € million)	As of December 31, 2017	As of December 31, 2018
DEFERRED TAX ASSETS, NET	-	-
Deferred tax assets through net income	900.3	962.2
Deferred tax assets through equity	64.8	66.0
DEFERRED TAX ASSETS, NET	965.1	1,028.2
DEFERRED TAX LIABILITIES	-	-
Deferred tax assets through net income	945.5	1,014.8
Deferred tax assets through equity	24.6	27.8
DEFERRED TAX LIABILITIES	970.1	1,042.6

11.3 Tax audits

In the normal course of their business, the Group entities in France and abroad are subject to regular tax audits. Revised assessments and identified uncertain tax positions in respect of which a revised assessment has not yet been issued are adequately provided, and provision amounts are regularly reviewed in accordance with IAS 37criteria.

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, 2018, the Group took account of the expenses that could arise as a consequence of these audits, based on a technical analysis of the positions defended by the Group before the tax authorities. The Group periodically reviews the risk estimate in view of developments in the audits and legal proceedings.

During the reorganization in 2006 of the former US. Filter (acquired in 1999), Veolia, through its subsidiary VENAO, sought a tax deduction pursuant to the “Worthless Stock deduction” (WSD) provisions under US tax law. Related tax losses totaled US$4.5 billion (tax base) as of December 31, 2006.

Following a long tax audit, the IRS issued a revenue agent’s report on November 6, 2018, rejecting the worthless stock deduction and seeking penalties for US$0.4 million (20% penalties applied only on year 2006). Veolia filed a detailed protest on December 21, 2018, in which it refuted the merits of the IRS’s arguments. Such protest entitles Veolia to bring the case to an Appeals Committee, the IRS administrative body tasked with resolving disputes before they go to court by reaching a settlement agreement. In most cases, this procedure reaches a compromise between the IRS’s and the Company’s positions.

If a disagreement remains, Veolia will file an appeal with the courts. During the proceeding before the Appeals Committee, no payment is required.

The Group, in agreement with its legal advisors, continues to view the tax positions adopted as robust.

The Group’s total exposure in the event the revised assessment is confirmed at the end of the procedure, taking account of losses utilized since 2006 and the recognition of deferred tax assets, would be US$764 million (excluding interest and penalties), primarily with a cash impact. Conversely, a favorable outcome would allow the progressive recognition of additional deferred tax assets, based on the Group’s ability to utilize these losses before they expire in 2026.

NOTE 12 CONTINGENT ASSETS AND LIABILITIES

In accordance with IAS 37 criteria, management does not consider it appropriate to record a provision or, as the case may be, an additional provision, or to recognize deferred income with respect to the following legal, administrative or arbitration proceedings as of December 31, 2018, 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 analysis (invoiced at $40.000), was completed by VWNAOS in the allotted time of 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 City's new water supply could create problems with lead levels in the drinking water.

On February 18, 2015, VWNAOS issued an interim report, which included a statement that the drinking water was "safe" in that it complied "with state and federal standards and required testing". During 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 and not VWNAOS, conducted all of the lead testing.

On March 12, 2015, VWNAOS delivered its final report to Flint, 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. It would appear that many of these recommendations were ignored by the local authorities.

On June 24, 2015, the US Environmental Protection Agency issued a memorandum summarizing the available information regarding activities conducted by the City of Flint and several governmental agencies in response to high lead levels in City drinking water reported by a Flint resident.

On October 21, 2015, the office of the Governor of the State of Michigan commissioned the Flint Water Advisory Task Force, a consulting group made up of experts in a variety of disciplines, to conduct an independent review of the Flint water crisis, including lead contamination of the water.

On March 21, 2016, Flint Water Advisory Task Force issued its final report, drafted after interviewing numerous individuals and reviewing many documents. The Task force report came to the conclusion that the responsibility for the Flint water crisis rested largely with several governmental agencies and the City of Flint. Notably, the report highlighted that the Michigan Department of Environmental Quality and the City of Flint did not require and implement corrosion control at the time of change of water supply source, contrary to what is required under the federal Lead & Copper Rule to avoid contamination of drinking water. A total of fifteen current or former state and local employees have been charged with criminal conduct in their mishandling of the lead issues.

Individual and class actions

Since February 2016, numerous individual complaints and class actions have been filed before Michigan and Federal courts by Flint residents against a number of defendants, including the State of Michigan, the Michigan Department of Environmental Quality and the US subsidiaries of the Company, Veolia North America ("VNA") and VWNAOS. Flint residents allege injury and damages by exposure to toxins, including lead, contained within Flint River water and have levied accusations of professional negligence and fraud.

The Company previously was named in a dozen class actions and hundreds of individual actions. To date, however, the Company is not a party to any of these actions; only the US subsidiaries of the Company remain parties to them.

In January 2018 a mediation process started by order of the court presiding over the lawsuits in Federal court. The mediators required the attendance of all parties to the Federal litigation, which includes the US subsidiaries of the Company but not the Company itself.

Civil action of the State of Michigan's Attorney General

On June 22, 2016, the State of Michigan's Attorney General filed a civil action against several corporations, including VWNAOS and the Company itself, for their alleged role in the Flint water crisis. The Attorney General subsequently dismissed that initial action, and filed a new civil action on August 16, 2016. Among other allegations, the Attorney General refers to the interim report delivered by VWNAOS. The Attorney General alleges that the acts and omissions of these companies constitute professional negligence and fraud.

Subsequent to filing the new action, the Attorney General agreed to dismiss the Company without prejudice from the case. On September 12, 2016, stipulations of dismissal were filed with the court to that effect. Thus, at this time, the Company is no longer a party to that case. However, the Attorney General action against the Company's subsidiaries is ongoing.

The Group strongly contests the merits of all these legal proceedings.

These lawsuits have been reported to the insurers, who have reserved their rights with respect to the guarantee from which the Company and its US subsidiaries benefit.

Central and Eastern Europe

Romania

In 2000, Apa Nova Bucuresti ("ANB"), Veolia Eau's Romanian subsidiary in which it holds a 74% stake, signed a 25-year concession agreement for water distribution and wastewater services with the city of Bucharest.

At the end of July 2015, the National Anticorruption Division of Ploiesti ("NAD") opened an investigation on influence peddling involving several persons and entities, including several Romanian subsidiaries of the Company.

ANB and certain of its former managers are suspected of having purchased, between 2008 and 2015, the influence of three natural persons in order to obtain favorable decisions from Bucharest's public authorities, resulting in significant increases in water prices. In exchange for their influence, ANB allegedly made significant payments to companies controlled by these three persons or related persons, without these payments being proportionate to the services rendered, and without these services necessarily being real.

Since August 2015, ANB, as well as other subsidiaries of the Company with water and energy activities in Romania, have provided the NAD, at its request, with numerous documents.

Throughout October 2015, three former managers of ANB were questioned by the NAD, and then placed under the status of "*inculpat*" and under judicial supervision.

On October 30, 2015, ANB was placed under this same status, for bribery, buying influence, invasion of privacy, tax evasion and money laundering.

The investigation continues and to date, the file has not been sent to Court.

ANB is cooperating with the NAD. So far, it only has partial access to the criminal case file.

The Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) are currently conducting investigations concerning possible violations of US federal laws, relating to the facts which are the subject of NAD's investigation. As part of its investigation, the SEC has asked the Company to voluntarily provide documents and information regarding these facts. At the SEC's behest, as part of international cooperation, the Autorité des Marchés Financiers (AMF) has made requests of the Company as well, which are also related to the facts which are the subject of NAD's investigation, in connection with its own investigation on the matter.

The Company is fully cooperating with the investigating authorities and, in particular, providing all requested information, in accordance with applicable laws.

In 2017, the Parquet National Financier confirmed that a preliminary investigation has been launched.

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.

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.

(i) ICSID arbitration

In January 2016, the Company, Veolia Énergie 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").

The Companies filed a claim for an indemnity of circa €120M. For its part, Lithuania submitted a counterclaim of circa €150M. This proceedings is still pending. The Companies vigorously contest Lithuania's counterclaims and seek their dismissal.

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.

(ii) 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 of more than €425M. This proceedings is still ongoing. The Company and UVE vigorously contest Vilnius and VST's counterclaims and seek their dismissal.

Africa and Middle East

Gabon

By letter dated February 16, 2018, the Gabonese Republic ("Gabon") unilaterally terminated the concession agreement signed with the Group's subsidiary, SEEG – Société d'énergie et d'eau du Gabon, ("SEEG"), on the base of inter alia of "general interest". By ministerial order of the same day, all SEEG materials and personnel were seized by Gabon. Another ministerial order also appointed an interim executive body in charge of implementing measures for termination and seizure.

On March 8, 2018 in accordance with the terms of concession agreement, SEEG submitted to the International Centre for Settlement of Investment Disputes ("ICSID") a request for conciliation to contest measures adopted by Gabon and to attempt to reach an amicable settlement for the damage suffered by SEEG. The conciliation proceeding ended on August 31, 2018 without the parties having reached an agreement. Therefore, SEEG and Veolia Africa initiated an arbitration proceeding before ICSID on September 20, 2018 and the arbitral tribunal was constituted on January 18, 2019.

Global entreprises

VWT v. K+S Potash

On December 1, 2012, Veolia Water Technologies, Inc. ("VWT") signed a US$324.5 million 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.

On July 17, 2016, during the process of commissioning the tanks, one of them collapsed. 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.

Several procedures are currently in progress.

ADRIC Arbitration Procedure (ADR Institute of Canada)

On August 18, 2017, VWT filed a complaint with the ADRIC court seeking KSPC's reimbursement of the costs incurred by the contractual modifications made to carry out the repair of the tanks, *i.e.* US$19 million. On January 18, 2019, the arbitral tribunal refused to deal with all claims, claiming jurisdiction over only some of them, for approximately US$13.6 million. An arbitral award should be rendered before the Saskatchewan court judgment.

Legal Proceedings (Saskatchewan Civil Court and Paris Commercial Court)

On April 11, 2018, KSPC sued VWT in the Saskatchewan court for $180 MCAD (approximately €119 million) for consequential damages and additional costs of repair.

Two letters of guarantee at first request have been issued by VWT: one of US$14.6 million, the other of US$15 millions. On May 14, 2018, KSPC attempted to draw on the US$14.6 million first demand guarantee. On May 18, 2018, VWT challenged the draw for summary proceedings before the president of the Paris Commercial Court, which provisionally banned payment of the guarantee and sent him back to a hearing in mid-March 2019.

On May 23, 2018, VWT also filed an application with the Saskatchewan court for an order prohibiting KSPC from drawing on both warranties. The court, without prejudging the merits of the dispute, dismissed VWT's application. On June 29, 2018, VWT appealed this decision. The hearing was held at the end of November 2018; the decision has yet to be issued.

By an Act of May 28, 2018, one of KSPC's subcontractors, AECON, sued KSPC in the Saskatchewan court for various claims for damages. On June 28, 2018, KSPC joined VWT to the proceedings as a third party in an attempt to require VWT to indemnify KSPC for minimum of $466 MCAD (about €318 million) in relation to claims made by AECON against KSPC as well as indemnification for sums already paid by KSPC to other sub-contractors.

On January 15, 2019, an attempt at mediation provided for in the Canadian court proceedings, took place: VWT proposed a settlement offer, which KSPC refused. As mediation was unsuccessful, arbitration and judicial proceedings are proceeding.

These lawsuits have been reported to the insurance company, which has 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 6.4.

A breakdown of relations with joint ventures is presented in Note 5.2.4.1.

Relations with other related parties break down as follows:

Relations with Icade SA, Caisse des dépôts et consignations subsidiary (4.60% shareholding as of December 31, 2018)

On January 31, 2013, Icade SA and Veolia Environnement entered into a firm lease for premises to be completed, for the building housing Veolia's administrative headquarters in Aubervilliers. This nine-year commercial lease took effect on July 18, 2016 and the annual rent for the building is €16,590,104 excluding taxes and VAT.

Veolia Environnement recorded rental expenses of €16,925,536 in respect of fiscal year 2018.

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 Raise Investissement

In July 2016, Veolia Environnement subscribed to a share capital increase for cash by Raise Investissement SAS in the amount of €5 million (subscription for 5 million newly issued shares with a par value of one euro each). The subscription amount was paid up 50% in July 2016, 25% in October 2017 and the residual 25% on November 21, 2018.

The duties of Chairman of Raise Investissement SAS are performed by Raise Conseil SAS.

Mrs. Clara Gaymard, a director of Veolia Environnement, is considered a related party due to her position as Chief Executive Officer of Raise Conseil SAS.

Relations with SM Conseil

On March 20, 2017, Veolia Environnement entered into a three-year service agreement with SM Conseil SAS, commencing immediately. Under the terms of the agreement, Veolia Environnement retained this company to assist it (1) promote Veolia to other stakeholders and potential partners with the aim of developing its business and (2) identify potential decision-makers and managers likely to contribute to the implementation of its strategy.

This agreement provides for payment to SM Conseil of fixed remuneration of €400,000 per annum, adjusted in line with the SYNTEC index. It does not provide for the payment of "success fees".

SM Conseil is chaired by Mr. Serge Michel, a non-voting director (*censeur*) on the Veolia Environnement Board of Directors.

NOTE 14 SUBSEQUENT EVENTS

Transdev Group

On January 9, 2019, Veolia Environnement closed the sale to the German group, Rethmann, of its residual 30% stake in Transdev Group, for a consideration of €340 million.

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.

Bond issue

On January 7, 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%. The proceeds of this issue will be used for general corporate purposes. The high level of oversubscription, the quality of the investor base and the good conditions that were achieved in spite of the fact that Veolia already tapped the bond market in November 2018 are signals of the significant appreciation of Veolia's credit quality.

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NOTE 15 MAIN COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

In 2018, Veolia Group consolidated or accounted for a total of 1,677 companies, of which the main companies are:

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Veolia Environnement SA 21 rue La Boétie 75008 Paris	403 210 032 00104	FC	100.00	100.00
FRANCE				
Water				
Veolia Eau – Compagnie Générale des Eaux 21 rue La Boétie 75008 PARIS	572 025 526 10945	FC	100.00	100.00
Veolia Water 21 rue La Boétie 75008 PARIS	421 345 042 00053	FC	100.00	100.00
Compagnie des Eaux et de l'Ozone 21 rue La Boétie 75008 PARIS	775 667 363 02470	FC	100.00	100.00
Société Française de Distribution d'Eau 28 boulevard de Pesaro 92000 Nanterre	542 054 945 00416	FC	99.62	99.62
Compagnie Fermière de Services Publics ZAC de la Pointe 9, rue des Frênes 72190 SARGE LES LE MANS	575 750 161 00904	FC	99.87	99.87

Consolidation method:
FC: Full consolidation – EA: Equity associate.

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Compagnie Méditerranéenne d'Exploitation des Services d'Eau – CMESE 1 rue Albert Cohen Immeuble Plein Ouest A 13016 MARSEILLE	780 153 292 00187	FC	99.72	99.72
Société des Eaux de Melun Zone Industrielle – 198/398, rue Foch 77000 Vaux Le Pénil	785 751 058 00047	FC	99.32	99.32
Société des Eaux de Marseille 25, rue Edouard-Delanglade 13006 Marseille	057 806 150 00017	FC	98.02	98.02
Waste				
Veolia Propreté 21 rue La Boétie 75008 PARIS	572 221 034 01230	FC	100.00	100.00
Routière de l'Est Parisien 28 boulevard de Pesaro 92000 Nanterre	612 006 965 00182	FC	100.00	100.00
ONYX Auvergne Rhône-Alpes 2/4, AVENUE DES CANUTS 69120 VAULX EN VELIN	302 590 898 00656	FC	100.00	100.00
Onyx Est ZI de la Hardt – Route de Haspelschiedt 57230 Bitche	305 205 411 00070	FC	95.00	95.00
Paul Grandjouan SACO 6 rue Nathalie Sarraute 44200 Nantes	867 800 518 00609	FC	100.00	100.00
OTUS 28 boulevard de Pesaro 92000 Nanterre	622 057 594 00385	FC	100.00	100.00
OTHER EUROPEAN COUNTRIES				
Veolia Water UK Plc et ses filiales 210 Pentonville Road London N1 9JY (Royaume-Uni)		FC	100.00	100.00
Veolia ES (UK) Ltd et ses filiales 210 Pentonville Road London - N19JY (Royaume-Uni)		FC	100.00	100.00
Veolia Umweltservice GmbH et ses filiales Hammerbrookstrasse 69 20097 Hamburg (Allemagne)		FC	100.00	100.00
Veolia Deutschland GmbH et ses filiales Lindencorso Unter den linden 21 10117 Berlin (Allemagne)		FC	100.00	100.00
Braunschweiger Versorgungs- AG &Co.KG Taubenstrasse 7 38106 Braunschweig (Allemagne)		FC	74.90	50.11
Aquiris SA Avenue de Vilvorde, 450 1130 Bruxelles (Belgique)		FC	99.00	99.00
Apa Nova Bucuresti Srl Strada Aristide Demetriade nr 2, Sector 1 Bucarest (Roumanie)		FC	73.69	73.69
Veolia Central & Eastern Europe et ses filiales 21 rue La Boétie 75008 Paris	433 934 809 00032	FC	100.00	100.00

Consolidation method:
FC: Full consolidation – EA: Equity associate.

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Veolia Énergie Praha, a.s. Na Florenci 2116/15, Nové Město, 110 00 Praha 1 (République Tchèque)		FC	100.00	83.05
Prazske Vodovody A Kanalizace a.s. Ke Kablu 971/1 102 00 Prague 10 (République Tchèque)		FC	51.00	51.00
Sofiyska Voda AD Mladost region Mladost 4 Business Park Street Building 2a 1000 Sofia Sofia (Bulgarie)		FC	77.10	77.10
Veolia Energy UK PLC et ses filiales 210 Pentonville Road N1 9JY London (Royaume-Uni)		FC	100.00	99.98
Veolia NV-SA et ses filiales 52, quai Fernand-Demets 1070 – Bruxelles (Belgique)		FC	100.00	100.00
Siram Spa et ses filiales Via Bisceglie, 95 20152 Milano (Italie)		FC	100.00	99.98
Veolia Espana S.L.U.et ses filiales Cl Juan Ignacio Luca De tena. 4 28027 Madrid (Espagne)		FC	100.00	99.98
Veolia Energia Polska ul. Puławska 2, Budynek Plac Unii C 02-566 WARSZAWA (Pologne)		FC	60.00	59.99
Veolia Term SA et ses filiales ul Pulawska 2. 02-566 WARSZAWA (Pologne)		FC	100.00	59.99
Veolia Energia Warszawa et sa filiale ul Pulawska 2. 02-566 WARSZAWA (Pologne)		FC	97.05	58.22
Veolia Nordic AB et ses filiales Hälsingegatan 47 113 31 Stockholm (Suède)		FC	100.00	99.98
Veolia Nederland BV et ses filiales Wattbaan 2 3439 ML NIEUWEGEIN (Pays-Bas)		FC	100.00	99.99
Vilnius Energija Joconiu St. 13 02300 VILNIUS (Lituanie)		FC	100.00	99.98
Veolia Energy Hungary Co Ltd et ses filiales Szabadsag ut 301 2040 Budapest (Hongrie)		FC	99.97	99.96
Veolia Energia Slovensko A.S. et ses filiales Einsteinova 25 851 01 BRATISLAVA (Slovaquie)		FC	100.00	99.98
Veolia Énergie CR A.S. et ses filiales 28.Rijna 3123/152 709 74 Ostrava (République Tchèque)		FC	83.06	83.05
REST OF THE WORLD				
VNA Regeneration Services LLC 4760 World Houston Parkway. Suite 100 Houston. TX 77032 (États-Unis)		FC	100.00	100.00

Consolidation method:
FC: Full consolidation – EA: Equity associate.

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Veolia Water Americas. LLC et ses filiales 53 State street, 14th floor, 02109 MA Boston (États-Unis)		FC	100.00	100.00
Veolia Environmental Services North America 53 State street, 14th floor, 02109 MA Boston (États-Unis)		FC	100.00	100.00
VES Technical Solutions LLC 53 State street, 14th floor, 02109 MA Boston (États-Unis)		FC	100.00	100.00
Veolia ES Canada Industrial Services Inc. 1705, 3ème avenue H1B 5M9 Montreal – Québec (Canada)		FC	100.00	100.00
Veolia Holding America Latina SA Calle Torrelaguna 60. 2 Planta 28043 Madrid (Espagne)		FC	100.00	100.00
Thermal North America Inc. 53 State Street, 14th floor, 02109 Boston (États-Unis)		FC	100.00	100.00
Beijing Yansan Veolia Water No. 5 Yanshan Xinghua East Road. 102500 BEIJING CHINE		FC	50.00	50.00
Shenzhen Water (Group) Co. Ltd et ses filiales 23 Floor. Wan De Building Shennan Zhong Road Shenzhen. (Chine)		EA	45.00	25.00
Shanghai Pudong Veolia Water Corporation Ltd No. 703 Pujian Road. Pudong New District 200127 SHANGHAI (Chine)		EA	50.00	50.00
Changzhou CGE Water Co Ltd No. 12 Juqian Road. CHANGZHOU Municipality. Jiangsu Province 213000 (Chine)		EA	49.00	24.99
Kunming CGE Water Supply Co Ltd No. 6 Siyuan Road. Kunming Municipality, Yunnan Province 650231 (Chine)		EA	49.00	24.99
Veolia Korea et ses filiales East 16 F SFCnature Towers Building Chungyechou-ro 100 Jung-gu (Corée du Sud)		FC	100.00	100.00
Veolia Water Australia et ses filiales Level 4. Bay Center, 65 Pirrama Road, Pyrmont NSW 2009 (Australie)		FC	100.00	100.00
Veolia Middle East et ses filiales 21 rue La Boétie 75008 Paris	505 190 801 00041	FC	100.00	100.00
Amendis 20 rue Imam Ghazali 90 000 Tanger (Maroc)		FC	100.00	100.00
REDAL SA 6 Zankat Al Hoceima. BP 161 10 000 Rabat (Maroc)		FC	100.00	100.00

Consolidation method:
FC: Full consolidation – EA: Equity associate.

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Lanzhou Municipal Water Supply (Group) Co LTD No. 2 Hua Gong Street. XFCu District. LANZHOU, Gansu Province (Chine)		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
Veolia Water – Veolia EnvironEAntal 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 (Australie)		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	99.45
Veolia Water Technologies et ses filiales 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 et ses filiales 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) et ses filiales 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. et ses filiales 575 HFCh street, suite 330, Palo Alto 94301 CA Californie (États-Unis)		FC	100.00	100.00
OTHER				
Veolia Énergie International 21 rue La Boétie 75008 Paris	433 539 566 00045	FC	99.98	99.98

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 be exempted 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
	ALTAVATER CHERNIVZY	Ukraine	UAH
	ALTVATER KIEV	Ukraine	UAH
	ALTVATER KRYM	Ukraine	RUB
	ALTVATER TERNOPIL	Ukraine	UAH
	AQUA CONSULT INGENIEUR GmbH	Germany	EUR
	BIOCYCLING GmbH	Germany	EUR
	Biomasseanlage Essenheim GmbH	Germany	EUR
	BRAUNSCHWEIGER NETZ GmbH	Germany	EUR
	BRAUNSCHWEIGER VERSORGUNGS-AG & Co. KG	Germany	EUR
	BRAUNSCHWEIGER VERSORGUNGS-VERWALTUNGS-AG	Germany	EUR
	CLEANAWAY PET SVENSKA AB	Sweden	SEK
	DRESDNER ABFALLVERWERTUNGS GmbH	Germany	EUR
	EUROLOGISTIK UMWELTSERVICE GmbH	Germany	EUR
	EUROLOGISTIK VERWALTUNG GmbH	Germany	EUR
	EUROLOGISTIK WERTSTOFFHANDEL GmbH	Germany	EUR
	FRASSUR ENTSORGUNGSDIENSTE GmbH	Germany	EUR
	GASVERSORGUNG GÖRLITZ GmbH	Germany	EUR
	GERAER STADTWIRTSCHAFT GmbH	Germany	EUR
Yes	GLOBALIS SERVICE GmbH & CO. KG	Germany	EUR
	GLOBALIS BETEILIGUNGSGESELLSCHAFT mbH	Germany	EUR
Yes	GUD GERAER UMWELTDIENSTE GmbH & Co. KG	Germany	EUR
	GUD GERAER UMWELTDIENSTE VERWALTUNGS GmbH	Germany	EUR
	INTROTEC Schwarza GmbH	Germany	EUR
	JOB & MEHR GmbH	Germany	EUR
	KANALBETRIEBE FRITZ WITHOFS GmbH	Germany	EUR
	MULITPET GmbH	Germany	EUR
	MULITPORT GmbH	Germany	EUR
	OEWA KÖNIGSBRÜCK GmbH	Germany	EUR
	OEWA STORKOW GmbH	Germany	EUR
	OEWA WAGENFELD GmbH & CO.KG	Germany	EUR
	OEWA WAGENFELD VERWALTUNGS GmbH	Germany	EUR
	OEWA WASSER UND ABWASSER GmbH	Germany	EUR
	OEWA WEGELEBEN 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
Yes	ROTENBURGER ROHSTOFF UND ENERGIE GmbH & Co.KG	Germany	EUR
	ROTENBURGER ROHSTOFF UND ENERGIE -VERWALTUNGS-GmbH	Germany	EUR
	SERVICE & RECYCLING DREBKAU GmbH	Germany	EUR

Publication exemption	Company name	Country	Currency
	STADTENWAESSERUNG 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
	TVF WASTE SOLUTIONS GmbH	Germany	EUR
	VBG VERWALTUNGS- UND BETEILIGUNGSGESELLSCHAFT mbH	Germany	EUR
	VEOLIA DEUTSCHLAND GmbH	Germany	EUR
	VEOLIA ÉNERGIE DEUTSCHLAND GmbH	Germany	EUR
	VEOLIA ENVIRONNEMENT LAUSITZ GmbH	Germany	EUR
	VEOLIA INDUSTRIE Deutschland GmbH	Germany	EUR
	VEOLIA INDUSTRIEPARK Deutschland GmbH	Germany	EUR
	VEOLIA GEBAUDE SERVICE Deutschland GmbH	Germany	EUR
	VEOLIA STADTWERKE BRAUNSCHWEIG BETEILIGUNGS- GmbH	Germany	EUR
	VEOLIA BS ENERGY BETEILIGUNGS GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE & CONSULTING GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE BETEILIGUNGSVERWALTUNGS GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE DUAL GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE GmbH DEUTSCHLAND	Germany	EUR
	VEOLIA UMWELTSERVICE NORD GmbH	Germany	EUR
Yes	VEOLIA UMWELTSERVICE OST GmbH & Co. KG	Germany	EUR
	VEOLIA UMWELTSERVICE OST VERWALTUNGS GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE PET RECYCLING GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE RESSOURCENMANAGEMENT GmbH	Germany	EUR
Yes	VEOLIA UMWELTSERVICE SÜD GmbH & Co. KG	Germany	EUR
	VEOLIA UMWELTSERVICE SÜD VERWALTUNGS GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE WERTSTOFFMANAGEMENT GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE WEST GmbH	Germany	EUR
	VEOLIA VERWALTUNGSGESELLSCHAFT mbH	Germany	EUR
	WASTEBOX DEUTSCHLAND GmbH	Germany	EUR
	PLASTIC SOLUTIONS & CONSULTING GmbH	Germany	EUR

NOTE 16 AUDIT FEES

Audit fees incurred by the Group, including fees related to equity associates, during fiscal years 2018 and 2017 total €29.4 million and €29.8 million, respectively, including:

- €24.9 million in 2018 and €24.1 million in 2017 in respect of the statutory audit of the accounts; and
- €4.6 million in 2015 and €5.7 million in 2017 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, 2018

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, 2018.

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, 2018 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, 2018 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 setting out the method and impact of first time application, as of January 1, 2018, of IFRS 15, Revenue from Contracts with Customers and IFRS 9, Financial Instruments. 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 Germany, Mexico, Chinese Concession, Poland and Czech Republic/Slovakia 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, 2018, the total net carrying amount of goodwill is €5,108 million. Goodwill of the Chinese concession joint ventures is €236.5 million (Group share) as of December 31, 2018. For the purpose of impairment tests, goodwill is allocated, from the acquisition date, to each of the cash-generating units (CGU) or each of the groups of cash-generating units (CGUs) that are expected to benefit from the business combination.

The Group performs systematic annual impairment tests and more frequent tests where there is indication that the CGU or group of CGUs may have suffered a loss in value. The need to recognize an impairment is assessed by comparing the net carrying amount of the assets and liabilities of the CGU or group of CGUs with their recoverable amount. The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use. For CGUs that are not classified as held for sale (IFRS 5), the value in use is equal to the present value of future cash flows expected to be derived from the CGU. The impairment test method and the assumptions adopted are presented in Notes 7.1.2 and 5.2.4.1, to the consolidated financial statements.

Determining value in use requires the Group to make significant judgments, particularly regarding factors such as changes in economic data and market prices, efficiency gain and performance assumptions and discount rates and long-term growth rates. Sensitivity tests performed by the Group on the Germany and Mexico 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 Poland and Czech Republic/Slovakia CGUs produced a recoverable amount in excess of the net carrying amount. However, the value of these CGUs remains sensitive to management assumptions as disclosed in Note 7.1.2. to the consolidated financial statements. The recoverable amounts of the Chinese concessions are sensitive to changes and are founded on structuring operating assumptions as disclosed in Note 5.2.4.1 to the consolidated financial statements.

We therefore considered the impairment testing of the goodwill of these CGUs to be a key audit matter.

Our response

We assessed the compliance of the methodology adopted by the Group with prevailing accounting standards.

We also performed a critical assessment of the implementation of this methodology for these CGUs and notably tested:

- the amount of items comprising the carrying amount of the CGUs tested and the consistency of the method of calculating this value with the method of calculating forecast cash flows for the value in use;
- the reasonableness of forecast cash flows given the economic and financial context in which the CGU operates and the reliability of the process for determining estimates by analyzing, for prior year forecasts, the causes of any forecast/actual variances;
- the consistency of these forecast cash flows with the most recent Group estimates as presented to the Board of Directors as part of the budget process;
- the reasonableness of discount rates and long-term growth rates adopted;
- the analysis of the sensitivity of the values in use calculated by the Group to a change in the main assumptions adopted.

Finally, we verified the appropriateness of disclosures in Notes 7.1.2 and 5.2.4.1 to the consolidated financial statements.

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, 2018, the net carrying amount of the Group's intangible assets, property, plant and equipment and operating financial assets is €9,691 million, €7,857 million and €1,486 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 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 analysis of the implementation of this methodology and notably tested the relevant contracts with regard to:

- the reasonableness of forecast cash flows given the economic and financial context in which the contracts are performed (commercial development assumptions, price changes, efficiency gains, etc.), in particular by analyzing the main data and assumptions underlying the estimates and assessing any variances between forecast and actual cash flows for prior periods;
- the reasonableness of discount rates adopted with respect to long-term growth rates and market data for each geographic zone.

US tax audit of the Worthless Stock Deduction

Note 11.3 to the consolidated financial statements

Risk identified

During the reorganization in 2006 of the former US Filter, Veolia Environnement, through its subsidiary, VENAO, sought a tax deduction pursuant to the "Worthless Stock deduction" provisions under US tax law. Related tax losses totaled US$4.5 billion (tax base) as of December 31, 2006. This led to a tax audit by the US Inland Revenue Services (IRS), which issued a Revenue Agent's Report (RAR) on November 6, 2018, marking the end of the audit phase. This report did not introduce any new items. Veolia Environnement filed a formal protest on December 21, 2018 setting out its objections to the RAR. This protest grants a right of appeal to an Appeals Committee, the body tasked with resolving disputes before they go to court, as disclosed in Note 11.3 to the consolidated financial statements.

As of December 31, 2018, the Group's maximum exposure, in the event the revised assessment is confirmed, is US$764 million (excluding interest and penalties).

We considered the US tax audit of the Worthless Stock Deduction to be a key audit matter due to the materiality of the amounts in question with regard to the consolidated financial statements and the uncertain nature of the outcome.

Our response

Our work mainly consisted in:

- obtaining an understanding of the procedures implemented by the Group to monitor progress with the tax audit;
- obtaining an understanding of the risk analysis performed by the Group, of the corresponding documentation and the written consultations from external advisors;
- 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, with the assistance of French and US tax experts, the main risks identified and analyzing the assumptions adopted by the Group to estimate the amount of losses recognized in the consolidated financial statements;
- analyzing, with the assistance of our tax experts, the method of determining US taxable income with regard to this tax audit;
- studying the consistency of forecast cash flows included in the tax schedule underlying the calculation of the recoverable value of deferred tax assets of its subsidiary VENAO (head of the US tax group), with the Group's most recent estimates as presented to the Board of Directors as part of the budget process;

- assessing the information regarding this tax audit disclosed in Note 11.3 to the consolidated financial statements.

Contingent liabilities relating to litigation: in the United States – Flint and K+S Potash – in Romania, Lithuania and Gabon

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 ltitgations, 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 this 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, 2018, KPMG SA was in the twenty-fourth year of total uninterrupted engagement and Ernst & Young et Autres the twentieth year, including nineteen 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 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), the scope of our statutory audit does not include assurance on the viability of the Company or the quality with which the Company's management had 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 consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be 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.

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 12, 2019

French original signed by

KPMG Audit A division of KPMG S.A.		ERNST & YOUNG et Autres	
Valérie Besson	Baudoin Griton	Jean-Yves Jégourel	Xavier Senent

4.2 Company Financial Statements AFR

4.2.1 BALANCE SHEET AS OF DECEMBER 31, 2018

Assets

	As of December 31, 2018			As of December 31, 2017
(in € thousand)	Gross	Deprec., amort. & impairment	Net	Net
Share capital subscribed but not called				
Non-current assets				
Intangible assets				
Preliminary expenses	-	-	-	-
Research & development expenditure	-	-	-	-
Concessions, patents, licenses, trademarks, processes, and software, rights and similar	223,113	196,260	26,853	32,221
Purchased goodwill (1)	-	-	-	-
Other intangible assets	-	-	-	-
Intangible assets in progress	16,607	0	16,607	11,068
Property, plant and equipment				
Land	-	-	-	-
Buildings	-	-	-	-
Industrial and technical plant	-	-	-	-
Other property, plant and equipment	48,271	29,647	18,624	21,641
Property, plant and equipment in progress	696	0	696	2,283
Payments on account - PP&E	-	-	-	-
Long-term loans and investments(2)				
Equity investments	14,295,055	2,972,728	11,322,327	10,913,174
Loans to equity investments	10,726,069	106,350	10,619,719	9,802,679
Long-term portfolio investments	6,327	0	6,327	5,940
Other long-term investment securities	3,483	0	3,483	1,446
Loans	935,798	0	935,798	747,743
Other long-term loans and investments	749,531	146,792	602,739	642,292
TOTAL (I)	27,004,950	3,451,777	23,553,173	22,180,487

(in € thousand)	Gross	Deprec., amort. & impairment	As of December 31, 2018 Net	As of December 31, 2017 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	**416**	**0**	**416**	**872**
Receivables(3)				
Operating receivables:				
Trade receivables and related accounts	156,025	14,125	141,900	78,709
Other receivables	1,707,224	37,861	1,669,363	2,096,708
Miscellaneous receivables:				
Share capital subscribed and called but not paid in	-	-	-	-
Marketable securities				
Treasury shares	92,386	17,226	75,160	97,463
Other securities	2,347,045	0	2,347,045	4,315,633
Treasury instruments	104,858	0	104,858	108,169
Cash at bank and in hand	**228,758**	**0**	**228,758**	**320,310**
Prepayments(4)	**75,001**	**0**	**75,001**	**45,268**
TOTAL (II)	4,711,713	69,212	4,642,501	7,063,132
Accrued income and deferred charges				
Deferred charges (III)	64,355	0	64,355	72,610
Bond redemption premiums (IV)	129,386	0	129,386	147,475
Unrealized foreign exchange losses (V)	1,667,265	0	1,667,265	1,470,482
GRAND TOTAL (I+II+III+IV+V)	33,577,669	3,520,989	30,056,680	30,934,186
(1) Of which leasehold rights			*-*	*-*
(2) Portion due in less than one year			*274,077*	*308,607*
(3) Portion due in more than one year			*125,891*	*212,875*
(4) Portion due in more than one year			*61,489*	*29,654*

Liabilities

(in € thousand)	As of December 31, 2018	As of December 31, 2017
Shareholders' equity		
Share capital (of which paid in: 2,827,967)	2,827,967	2,816,824
Additional paid-in capital	6,995,196	6,973,859
Revaluation reserves	-	-
Equity-accounting revaluation reserve	-	-
Reserves		
Reserve required by law	281,682	281,682
Reserves required under the Articles of Association or contractually	-	-
Special long-term capital gains reserve	-	-
Other reserves	-	-
Retained earnings	154,594	302,736
Net income for the year	883,060	314,498
Sub-total: Shareholders' Equity	11,142,499	10,689,599
Investment subsidies	-	-
Tax-driven provisions	6,751	5,326
TOTAL (I)	11,149,250	10,694,925
Equity equivalents		
Proceeds from issues of equity equivalent securities	-	-
Subordinated loans	-	-
Other	-	-
TOTAL (I BIS)		
Provisions		
Provisions for contingencies	45,823	59,414
Provisions for losses	6,179	38,103
TOTAL (II)	52,002	97,517

(in € thousand)	As of December 31, 2018	As of December 31, 2017
Liabilities[1]		
Convertible bonds	-	-
Other bond issues	9,936,330	9,534,244
Bank borrowings[2]	54,176	51,460
Other borrowings[3]	7,005,682	8,795,591
Payments received on account for work-in-progress	-	-
Operating payables		
Trade payables and related accounts	101,215	127,264
Tax and employee-related liabilities	77,237	63,298
Other operating payables	-	-
Miscellaneous liabilities		
Amounts payable in respect of PP&E and related accounts	8,720	8,524
Tax liabilities (income tax)	-	-
Other miscellaneous liabilities	36,689	42,263
Treasury instruments	97,565	94,519
Accrued income and deferred charges		
Deferred income[1]	**100,090**	**135,650**
TOTAL (III)	17,417,704	18,852,813
UNREALIZED FOREIGN EXCHANGE GAINS (IV)	1,437,724	1,288,931
GRAND TOTAL (I+II+III+IV)	30,056,680	30,934,186
(1) Portion due in more than one year	*9,178,259*	*9,043,414*
Portion due in less than one year	*8,239,445*	*9,809,399*
(2) Of which overdrafts and current bank facilities	*54,176*	*51,460*
(3) Of which equity equivalent loans	-	-

4.2.2 INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

(in € thousand)	2018	2017
Operating revenue[1]		
Sales of bought-in goods	-	-
Sales of own goods and services	524,879	485,306
Net sales	524,879	485,306
Of which export sales		
Changes in inventory of own production of goods and services	-	-
Own production capitalized	15,150	11,692
Operating subsidies	23	102
Write-back of provisions (and depreciation and amortization) and expense reclassifications	42,147	32,995
Other revenue	88,086	87,820
TOTAL (I)	670,285	617,915
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*	288,599	302,595
Duties and taxes other than income tax	19,018	17,619
Wages and salaries	139,234	132,793
Social security contributions	82,478	58,385
Depreciation, amortization, impairment and charges to provisions:		
• On non-current assets: depreciation and amortization	31,211	40,519
• On non-current assets: impairment	2,467	70
• On current assets: impairment	6,718	1,836
• For contingencies and losses: charges to provisions	3,638	38,171
Other expenses	124,230	121,823
TOTAL (II)	697,593	713,811
1. OPERATING LOSS (I – II)	(27,308)	(95,896)
Joint venture operations	**460**	**120**
Profits transferred in or losses transferred out (III)	460	120
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)	2018	2017
Financial income[3]		
Financial income from equity investments	869,113	652,107
Financial income from other securities and long-term receivables	4,114	6,786
Other interest and similar income	138,864	170,620
Write-back of provisions for financial items, impairment and expense reclassifications	373,115	76,168
Foreign exchange gains	790,343	1,144,838
Net proceeds from sales of marketable securities	275	198
TOTAL (V)	2,175,824	2,050,717
Financial expenses		
Amortization, impairment and charges to provisions for financial items	42,175	62,243
Interest and similar expenses[4]	482,279	539,272
Foreign exchange losses	764,379	1,144,224
Net expenses on sales of marketable securities	6,881	2,190
TOTAL (VI)	1,295,714	1,747,929
2. NET FINANCIAL INCOME (V-VI)	880,110	302,788
3. NET INCOME FROM ORDINARY ACTIVITIES BEFORE TAX (I-II+III-IV+V-VI)	853,262	207,012
Exceptional income		
Exceptional income from non-capital transactions	3	2,488
Exceptional income from capital transactions	582	1,548
Write-back of provisions, impairment and expense reclassifications	252	9,827
TOTAL (VII)	837	13,863
Exceptional expenses		
Exceptional expenses on non-capital transactions	916	(5,594)
Exceptional expenses on capital transactions	40,028	1,429
Amortization, impairment and charges to provisions	3,788	5,108
TOTAL (VIII)	44,732	943
4. NET EXCEPTIONAL ITEMS (VII-VIII)	(43,895)	12,920
STATUTORY EMPLOYEE PROFIT-SHARING (IX)	-	-
INCOME TAX EXPENSE (X)	73,693	94,566
TOTAL INCOME (I+III+V+VII)	2,847,406	2,682,615
TOTAL EXPENSES (II+IV+VI+VIII+IX-X)	1,964,346	2,368,117
NET INCOME/(LOSS)	883,060	314,498
(3) Of which income from related parties	*1,058,533*	*872,103*
(4) Of which interest charged by related parties	*23,134*	*12,589*

4.2.3 PROPOSED APPROPRIATION OF 2018 NET INCOME

(in euros)	2018
2018 Net income	**883,060,186**
Distributable reserves	6,995,196,203
Prior year retained earnings	154,593,563
i.e. a total of	**8,032,849,952**
To be appropriated as follows[(1)]	
• to the reserve required by law	1,114,259
• to dividends (€0.92 x 553,082,952 shares)[(2)]	508,836,316
• to retained earnings	527,703,174
Shareholders' equity accounts after appropriation and distribution of the dividend	
Share capital	2,827,966,705
Additional paid-in capital	6,995,196,203
Reserve required by law	282,796,671
2018 retained earnings	**527,703,174**
TOTAL[(3)]	10,633,662,753

(1) Subject to the approval of the General Shareholders' Meeting.
(2) The total dividend distribution presented in the above table is calculated based on 565,593,341 shares outstanding as of December 31, 2018, less 12,510,389 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 "2018 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 2018, the shareholders' equity of the Company shall be €10,633,662,753.

4.2.4 STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(in € thousand)	2018	2017
Source of funds		
Operating cash before changes in working capital[(1)]	563,236	350,664
Disposals or decreases in non-current assets:		
• Disposals of intangible assets and PP&E	-	-
• Disposals of equity investments	0	101
• Disposals of long-term investment securities	-	-
Repayment of financial receivables (long-term advances)	32,001	1,566,525
Repayment of other long-term loans and investments	16,018	16,144
Increase in shareholders' equity	32,479	-
New borrowings[(2)]	877,581	1,800,000
TOTAL SOURCE OF FUNDS	1,521,315	3,733,434
Application of funds		
Dividend distribution (including registration fees)	462,640	439,728
Acquisitions or increases in non-current assets:		
• Intangible assets and Property, plant and equipment	18,510	17,352
Long-term loans and investments:		
• Equity investments	51,793	30,983
• Long-term financial receivables	885,814	641,807
• Long-term portfolio investments[(3)]	1,637	1,816
• Other long-term loans and investments	190,627	330,552
Decrease in shareholders' equity	-	-
Principal payments on borrowings[(4)]	1,953,430	1,318,701
TOTAL APPLICATION OF FUNDS	3,564,451	2,780,939
Increase/decrease in working capital requirements	(2,043,136)	952,495
TOTAL	1,521,315	3,733,434

(1) Increase of €25.3 million in foreign exchange gains, increase of €139.1 million in investment income, increase of €39.6 million in revenue and decrease of €23 million in the income tax expense.
(2) Two bond issues of €750 million and €127.5 million, respectively.
(3) Mainly the paid-up portion of the subscription to the RAISE share capital increase for €1.25 million.
(4) Mainly redemptions of deeply-subordinated perpetual securities (TSSDI) for €1.5 billion.

4.2.5 NOTES TO THE COMPANY FINANCIAL STATEMENTS

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NOTE 1 MAJOR EVENTS OF THE PERIOD

1.1 Share capital increase reserved for Group employees

In accordance with the delegation of powers granted by the Combined General Meeting of April 19, 2018 in the nineteenth resolution, the Board of Directors approved, during the meeting held on May 2, 2018 the principle and the mains terms and conditions of a share capital increase reserved for employee members of France and International Group Savings Plans and delegated the necessary powers to perform this share capital increase to the Chairman and Chief Executive Officer.

Using this delegation, the Chairman and Chief Executive Officer duly noted on September 20, 2018, the performance of this share capital increase for a total amount of €34 million.

Under this share capital increase, a total of 2,228,518 shares were created in respect of employee subscriptions and the Group contribution, including 703,524 shares in respect of the Group contribution; the par value increase in share capital was €11,142,590, with an increase in additional paid-in capital of €22,909,165.04. The expenses relating to this transaction were deducted from additional paid-in capital for a net of tax amount of €1,572,213.84.

New shares rank for dividends from January 1, 2018; they are equivalent to existing shares and will confer entitlement to dividends distributed in 2019 in respect of fiscal year 2018.

1.2 Events relating to bond issues

1.2.1 Bond issues

On August 9, 2018, Veolia Environnement continued its bond issue program on the Chinese domestic market, issuing a one billion renminbi bond line (€127 million), maturing in August 2019 (one year) and bearing a coupon of 4%.

On December 5, 2018, Veolia Environnement issued at par a €750 million bond issue, maturing in January 2030 (around 11 years) and bearing a coupon of 1.94%.

1.2.2 Redemption of a bond line

On May 28, 2018, Veolia Environnement redeemed the euro-denominated bond line in the nominal amount of €472 million.

1.2.3 Redemption of other borrowings and bond issues

Redemptions mainly concern the redemption on April 16, 2018 of the deeply subordinated perpetual securities (hybrid debt) denominated in euros and pound sterling issued on January 23, 2013 in the nominal amount of €1 billion and GBP 400 million, respectively (€1,463 million euro equivalent).

1.3 Treasury shares

In 2018, Veolia Environnement recognized a financial impairment of €17.6 million, based on an average share price of €18.24 in December 2018, compared with €21.19 in December 2017.

The gross value of the 12,510,389 treasury shares held as of December 31, 2018 was €392.2 million, impaired in the amount of €164 million, and representing a net carrying amount of €228.2 million.

NOTE 2 ACCOUNTING PRINCIPLES AND METHODS

2.1 Basis of preparation

The Company financial statements for the year ended December 31, 2018 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, 2018 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 statements under the number: 403 210 032 R.C.S. Paris.

A copy of the financial statements may be obtained at the Company's administrative headquarters at 30, rue Madeleine Vionnet, 93300 Aubervilliers.

2.2 Main accounting policies

2.2.1 Non-current assets

Non-current assets: on initial recognition in the accounts, non-current assets are recorded at acquisition cost if acquired for valuable consideration, at market value if acquired for nil consideration or at production cost if produced by the Company.

Intangible assets: in the course of major IT projects, the Company incurs project costs which it capitalizes when they satisfy certain criteria. These costs are not amortized prior to asset commissioning.

Technical merger losses are recognized according to the nature of the underlying asset to facilitate monitoring over time, in accordance with the new rules defined by ANC Regulation no. 2015-06. Technical merger losses are amortized on the same basis as the underlying asset to which the unrealized capital loss relates. The share of the loss allocated to non-depreciable assets is not amortized but is impaired, where appropriate, in accordance with Article 745-8 of the French General Chart of Accounts (*Plan Comptable Général*, PCG).

Property, plant and equipment: depreciation is calculated over the expected period of use. More specifically, fixtures and fittings and installations are depreciated on a straight-line basis over periods of six to ten years. Furniture and office equipment are depreciated on a straight-line basis over periods of between five and 10 years. Finally, vehicles are depreciated on a straight-line basis over five years.

Equity investments: this heading records the acquisition cost of securities held by Veolia Environnement in companies over which it exercises control or significant influence, directly or indirectly.

At the date of entry into Company assets, the gross value of "Equity investments" is their acquisition cost. The Company has elected to capitalize costs relating to the acquisition of equity investments. At the closing date, the value in use of equity investments is determined by the Company based on criteria encompassing profitability, growth perspectives, the net assets of the Company held and the stock market value of the securities acquired, where applicable. Where the net carrying amount of an equity investment exceeds its value in use, an impairment is recorded in the amount of the difference.

Pursuant to the change in tax regime applicable to equity investment acquisition costs introduced by Article 21 of the 2007 Finance Act and completed by Article 209 of the French General Tax Code and based on Opinion no. 2007-C of June 15, 2007 issued by the Urgent Issues Taskforce of the French National Accounting Institute (*Conseil National de la Comptabilité*), Veolia Environnement has recognized the tax deferral of security acquisition costs over a period of five years in the accelerated depreciation account since January 1, 2007.

Other long-term loans and investments: treasury shares are recorded in long-term investment securities when earmarked for external growth operations. They are recognized at acquisition cost and an impairment is recorded if their market value is less than their net carrying amount.

Term accounts not classified as cash equivalents are recorded in "Other long-term loans and investments".

Merger losses relating to financial assets are recognized in "Other long-term loans and investments" and are considered to have an unlimited duration.

Pursuant to Articles 214-15, 214-17 and 745-8 of ANC Regulation no. 2015-06, Veolia Environnement performs an impairment test at each period end to assess the net carrying amount of the asset compared with its current value. Where the current value of the asset is less than its net carrying amount, an impairment is recognized in the amount of the difference and offset in priority against the share of the merger loss.

Where the current value of the asset cannot be determined separately, the current value of the group of assets is determined.

2.2.2 Marketable securities and cash at bank and in hand

Marketable securities: marketable securities comprise treasury shares held in respect of Group savings plans, share option plans and other highly liquid investment securities. Treasury shares are classified as marketable securities when purchased for presentation to employees under share option plans and employee savings plans benefiting certain employees. Shares acquired and sold under the liquidity contract generate movements in the "marketable securities" account. Marketable securities are recognized at acquisition cost and an impairment provision is recorded if their market value is less than their net carrying amount.

Cash at bank and in hand: term accounts classified as cash equivalents are recorded in Cash at bank and in hand.

2.2.3 Foreign currency-denominated transactions

During the year, foreign currency-denominated transactions are translated into euro at the daily exchange rate.

Liabilities, receivables and cash balances denominated in currencies other than the euro are recorded in the balance sheet at their euro equivalent determined using year-end exchange rates. Gains and losses resulting from the translation of foreign currency liabilities and receivables at year-end exchange rates are recorded in "Unrealized foreign exchange gains and losses". In accordance with Article 420-7 of the French General Chart of Accounts, unrealized foreign exchange gains and losses on foreign currency cash accounts are recognized directly in foreign exchange gains and losses. Similarly, foreign exchange gains and losses on subsidiary current accounts equivalent in nature to cash accounts are recognized directly in foreign exchange gains and losses, except where hedge accounting principles are applied.

Pursuant to ANC Regulation no. 2015-05, Veolia Environnement applies hedge accounting to clearly identified and documented matching foreign exchange positions, which seek to reduce the risk associated with currency fluctuations. Accordingly, all foreign exchange gains and losses calculated on liabilities and receivables and related hedging transactions included in these matching positions are recorded in dedicated unrealized foreign exchange gains and losses - matching positions accounts.

The corresponding increase or decrease in the value of treasury instruments is recorded in the Treasury instruments - Assets or Treasury instruments - Liabilities accounts.

Furthermore, in order to comply with the matching settlement principle, foreign exchange gains and losses realized on instruments hedging underlying items not yet matured are recorded in new balance sheet accounts in the French General Chart of Accounts: Change in the value of treasury instruments - Assets and Change in the value of treasury instruments - Liabilities. On maturity of the underlying items, the foreign exchange gains and losses realized on the corresponding hedging instruments are released to profit or loss.

Pursuant to Article 628-11 of ANC Regulation no. 2014-03, when the underlying is unwound, the gains/loss on the hedging instrument is presented in the same section of the income statement (operating, financial) as the hedged item.

Hedge accounting is also applied to equity investments acquired in foreign currency and hedged by borrowings or foreign exchange derivatives in accordance with Article 628-8 of ANC Regulation no. 2014-03.

Other liabilities, receivables and 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.

Deeply subordinated perpetual securities (TSSDI): these securities are classified in borrowings. The paid-in capital is recognized in balance sheet assets and the interest paid annually is recorded under finance cost in the income statement. The issue costs are amortized on a straight-line basis over a 5-year term.

Derivatives: Veolia Environnement hedges asset risks (acquisition of securities in foreign currencies), balance sheet risks (financing of subsidiaries in their local currency) and transaction risks (hedging of commercial flows on its own account and for all its operating subsidiaries). The Company has therefore adopted a strategy that consists in backing foreign currency-denominated borrowings with either assets denominated in the same currency or using foreign exchange derivatives (forex swaps, currency forward contracts, hedging options, cross currency swaps).

All transaction flows are hedged, primarily by currency forward contracts and forex swaps. Finally, market risks relating to interest rate fluctuations are hedged by interest rate swaps or interest rate caps and floors.

The notional amounts of instruments are recorded in specific off-balance sheet accounts.

Interest rate derivatives: pursuant to ANC Regulation no. 2015-05, income and expenses relating to the use of these instruments are recognized in the income statement to match income and expenses on the hedged transactions.

These transactions are recognized as follows:

- transactions qualifying as hedges:
  - a provision for unrealized losses is not recognized as changes in the value of the underlying item reduce the related risk;
- open-isolated positions:
  - unrealized losses, calculated individually for each instrument, are provided in full;
  - unrealized gains on instruments are recognized in income on the unwinding of the transaction only.

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 increase in purchase expenditure, excluding taxes, recorded for the sheltered employment sector for the France scope.

Based on the observed growth rate and other criteria, the level of incentive payments is determined using a contractually defined chart. The total amount of incentive payments provided is equal to the individual amount determined above multiplied by the number of beneficiaries communicated by the Human Resources Department.

Provision for bonuses

This provision is determined based on the amount of bonuses awarded in the previous year multiplied by an estimated percentage change and changes in employee numbers.

2.2.6 Income from ordinary activities and exceptional income

Items concerning the ordinary activities of the Company, even if exceptional in amount or frequency, are included in income from ordinary activities. Only those items that do not concern the ordinary activities of the Company are recognized in exceptional items.

2.2.7 Valuation of employee-related commitments

Pursuant to Article L.123-13 of the French Commercial Code, Veolia Environnement has elected not to recognize a provision for retirement benefits and other employee commitments. This information is presented in off-balance sheet commitments in the notes to the financial statements.

NOTE 3 BALANCE SHEET ASSETS

3.1 Non-current assets

Movements in gross values

(in € thousand)	Opening balance	Increase	Decrease	Closing balance	Note
Intangible assets	**222,433**	**17,287**	**-**	**239,720**	3.1.1
Property, plant and equipment	**47,751**	**1,216**	**-**	**48,967**	3.1.1
Long-term loans and investments					
Equity investments	14,243,263	51,793	1	14,295,055	3.1.2
Loans to equity investments	9,909,029	849,106	32,066	10,726,069	3.1.3
Long-term portfolio investments(1)	5,940	387	-	6,327	
Other long-term investment securities	1,446	2,087	50	3,483	
Loans	747,743	501,461	313,406	935,798	3.1.4
Other long-term loans and investments	764,317	1,231	16,017	749,531	3.1.5
TOTAL	25,941,922	1,424,568	361,540	27,004,950	

(1) 1.43% subscription to the Raise Investissement SAS share capital increase (see Note 7.9 below).

Movements in depreciation, amortization and impairment

(in € thousand)	Opening balance	Increase Charge	Decrease, removals and write-backs	Closing balance	Note
Amortization of intangible assets	179,144	15,314	-	194,458	3.1.1
Depreciation of property, plant and equipment	23,757	5,185	-	28,942	3.1.1
Impairment of property, plant and equipment	70	666	32	704	3.1.1
Impairment of intangible assets	-	1,802	-	1,802	3.1.1
Impairment of equity investments	3,330,089	-	357,361	2,972,728	3.1.2
Impairment of loans to equity investments	106,350	-	-	106,350	3.1.3
Impairment of treasury shares	122,025	24,767	-	146,792	3.1.5
TOTAL	3,761,435	47,734	357,393	3,451,776	
Nature of charges and write-backs:					
Operating		22,961	32		
Financial		24,767	357,361		
Exceptional		6	-		
TOTAL		47,734	357,393		

3.1.1 Intangible assets and PP&E

Intangible assets have a gross value of €239.7 million and a net value of €43.5 million.

Property, plant and equipment have a gross value of €49 million and a net value of €19.3 million.

3.1.2 Long-term loans and investments: Equity investments

Equity investments have a gross value of €14,295.1 million as of December 31, 2018. Impairments total €2,972.7 million, reducing the net value to €11,322.3 million.

3.1.3 Long-term loans and investments: Loans to equity investments

Loans to equity investments have a gross value of €10,726 million as of December 31, 2018.

Movements recorded in 2018 break down as follows:

(in € thousand)	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
VE Finance	8,386,185	735,061	-	(35,272)	9,085,974
Veolia Environnement UK	830,307	178	-	(12,450)	818,035
Veolia Eau – Compagnie Générale des Eaux	319,933	-	205	5,942	325,670
Veolia Water Technologies	180,540	-	3,220	698	178,018
Artelia Ambiente	106,364	-	14	-	106,350
Dalkia Sunshine Harbin Heat Power Co. Ltd	0	59,846	-	260	60,106
Dalkia NV	0	28,362	-	-	28,362
Taiyuan Shuitta Green Energy Co. Ltd	0	26,227	-	515	26,742
Veolia Recycling (Hangzhou) Co. Ltd	0	24,873	-	108	24,981
Jining Danjia Environment Services Co. Ltd	0	15,482	-	67	15,549
Veolia Énergie International	46,695	-	18,260	(537)	27,898
Veolia Water Resource Development Co. Ltd	10,905	-	4,312	(372)	6,221
Veolia Environnement Recherche et Innovation	8,009	-	-	-	8,009
Association Vecteur Pyrénées	5,435	-	428	-	5,007
Veolia Middle East	3,596	4	-	174	3,774
Veolia Déconstruction France	3,642	-	3,642	-	0
Société des Eaux Régionalisée	2,490	-	1,209	-	1,281
Veolia Environnement Ingénierie Conseils	2,550	-	-	-	2,550
Société de logistique et de préparation pour la biomasse	1,500	-	-	-	1,500
Sade CGTH	836	-	776	(60)	0
Veolia Water Japan K.K	39	-	-	-	39
Veolia Water South China Ltd	1	-	-	-	1
Veolia ES Industrial Outsourcing Ltd	1	-	-	-	1
Veolia Africa	1	-	-	-	1
TOTAL	**9,909,029**	**890,033**	**32,066**	**(40,927)**	**10,726,069**

This heading also includes impairment of €106.3 million.

3.1.4 Long-term loans and investments: Loans

Loans total €935.8 million as of December 31, 2018.

Loans mainly include term accounts not classified as cash equivalents of €935.8 million (including accrued interest).

3.1.5 Other long-term loans and investments

Other long-term loans and investments have a gross value of €749.5 million and a net value of €602.7 million as of December 31, 2018 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 2018 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 €153 million. Impairment of treasury shares totals €146.8 million as of December 31, 2018.

3.2 Trade receivables

Trade receivables have a gross value of €156 million and a net value of €141.9 million as of December 31, 2018 and primarily concern services billed to Group subsidiaries.

3.3 Other receivables

Other receivables total €1,707.2 million and mainly comprise the following balances:

(in € thousand)	As of December 31, 2018	As of December 31,2017
Current accounts with Group subsidiaries	**1,531,529**	**1,848,065**
Other receivables	**147,466**	**256,454**
• Income tax receivables	115,550	216,637
• Other tax receivables	14,003	18,061
• Financial receivables on derivatives	10,788	13,384
• Receivables on non-current asset disposals	0	0
• Accrued interest on current accounts	7,125	8,372

3.4 Marketable securities

3.4.1 Treasury shares

Veolia Environnement holds 12,510,389 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 4,121,330 shares recorded in marketable securities have a gross carrying amount of €92.4 million and a net carrying amount of €75.2 million at the end of 2018. These shares were allocated to cover stock option programs or other share award programs to Group employees.

The impairment of €17.2 million represents the difference between the purchase cost of the Veolia Environnement shares and the average stock market price during the nineteen trading days preceding December 31, 2018. A write-back of €7.2 million was recorded in fiscal year 2018.

Liquidity contract

The liquidity contract signed with Rothschild & Cie Banque on September 30, 2014 was renewed by tacit agreement for a 12-month period in September 2018. As of December 31, 2018, an amount of €30 million is allocated to the operation of this liquidity account.

This liquidity contract forms part of the share buyback program authorized by the Veolia Environnement General Shareholders' Meeting of April 24, 2014.

In 2018, 4,790,032 shares were purchased for a total amount of €92.4 million and a weighted average share price of €19.30 and 4,790,032 shares were sold for a total amount of €92.7 million and a weighted average share price of €19.30. A capital gain of €0.3 million was generated under this contract.

3.4.2 Other securities

Other securities total €2,347 million as of December 31, 2018 and comprise SICAV mutual funds.

3.4.3 Treasury instruments

Treasury instruments total €104.9 million as of December 31, 2018 and break down as follows:

- interest-rate derivative spreads: €1.5 million;
- foreign currency derivatives: €91.1 million;
- premium/discount: €12.3 million.

3.5 Cash at bank and in hand

Liquid assets total €228.8 million as of December 31, 2018 and include term accounts classified as cash equivalents and related accrued interest in the amount of €115.9 million.

3.6 Prepayments

Prepayments total €75 million and include balancing cash adjustments paid on interest rate swaps of €66.9 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, 2018 total €60.8 million.

Other deferred charges total €3.6 million and mainly comprise credit line issue costs, amortized on a straight-line basis over the repayment term.

3.7.2 Bond redemption premiums

Unamortized bond redemption premiums total €129.4 million and mainly comprise the redemption premium recognized on the bond exchange performed in 2015 of €97.2 million as of December 31, 2018.

Bonds redemption premiums are amortized on a straight-line basis over the bond term.

4

3.8 Foreign exchange gains and losses and changes in value of treasury instruments

Foreign exchange gains and losses include unrealized foreign exchange gains and losses on matching positions and on the overall position per currency. In addition, matching positions include realized gains and losses on instruments where the underlying item has not yet matured.

(in € thousand)	Unrealized foreign exchange losses	Change in value of treasury instruments - Assets	Unrealized foreign exchange gains	Change in value of treasury instruments - Liabilities	Note
Matching foreign exchange positions	659,032	1,000,555	193,519	1,234,635	3.8.1
Overall foreign exchange position	7,678	-	9,570	-	3.8.2
TOTAL	666,710	1,000,555	203,089	1,234,635	

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	10,801	0	0	0		
Foreign currency derivatives	0	649	2,524	11,580		
Total ARS	**10,801**	**649**	**2,524**	**11,580**	**13,325**	**12,229**
Loans	58,252	0	803	183		
Foreign currency derivatives	1,198	10,898	136,565	170,350		
Total AUD	**59,450**	**10,898**	**137,368**	**170,533**	**196,818**	**181,431**
Loans	9,610	0	20	0		
Foreign currency derivatives	0	2,881	4,406	11,235		
Total BRL	**9,610**	**2,881**	**4,426**	**11,235**	**14,036**	**14,116**
Loans	3,631	0	0	0		
Foreign currency derivatives	0	878	2,166	4,894		
Total CLP	**3,631**	**878**	**2,166**	**4,894**	**5,797**	**5,772**
Loans	24,430	1,286	5,271	0		
Borrowings	977	4,797	35	39		
Foreign currency derivatives	589	3,444	1,166	18,523		
Total CNY	**25,996**	**9,527**	**6,472**	**18,562**	**32,468**	**28,089**
Loans	9,949	0	0	0		
Foreign currency derivatives	0	1,012	2,598	10,239		
Total COP	**9,949**	**1,012**	**2,598**	**10,239**	**12,547**	**11,251**
Loans	2,073	5,163	18,773	7,353		
Foreign currency derivatives	4,351	1,914	11,930	24,629		
Total CZK	**6,424**	**7,077**	**30,703**	**31,982**	**37,127**	**39,059**
Loans	176,896	92	9,253	4,213		
Borrowings	363	41,433	0	0		
Foreign currency derivatives	2,713	13,112	340,672	475,398		
Total GBP	**179,972**	**54,637**	**349,925**	**479,611**	**529,897**	**534,248**
Loans	24,891	4,554	86	178		
Foreign currency derivatives	6,114	6,355	88,220	99,069		
Total HKD	**31,005**	**10,909**	**88,306**	**99,247**	**119,311**	**110,156**
Loans	5,092	56	0	64		
Foreign currency derivatives	77	4,271	4,179	3,616		
Total HUF	**5,169**	**4,327**	**4,179**	**3,680**	**9,348**	**8,007**
Loans	11,891	3,285	8,967	1,992		
Foreign currency derivatives	3,790	0	24,114	43,524		
Total JPY	**15,681**	**3,285**	**33,081**	**45,516**	**48,762**	**48,801**

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	2,221	12,126	16	1,663		
Foreign currency derivatives	268	392	99,895	86,992		
Total PLN	2,489	12,518	99,911	88,655	102,400	101,173
Loans	7,425	105	0	0		
Foreign currency derivatives	1,290	0	2,292	10,908		
Total SEK	8,715	105	2,292	10,908	11,007	11,013
Loans	41,613	37,290	13,159	9,706		
Borrowings	221,334	18,130	20,223	32,534		
Foreign currency derivatives	19,178	13,387	162,416	163,425		
Total USD*	282,125	68,807	195,798	205,665	477,923	274,472
Total Other currencies	8,015	6,009	40,806	42,328	48,821	48,337
GRAND TOTAL	659,032	193,519	1,000,555	1,234,635	1,659,587	1,428,154

* *A provision was not booked in respect of US dollar net unrealized foreign exchange losses on matching positions of US$191 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	233
ARS	24	232
AUD	15	702
CAD	24	1,665
CNY	3,133	4
CZK	0	216
DKK	0	464
GBP	1,892	0
HKD	34	4,171
JPY	603	3
KRW	0	277
KWD	287	0
NOK	433	0
SEK	465	1
USD	80	842
Other currencies	687	760
GRAND TOTAL	7,678	9,570

The provision for foreign exchange losses on the overall foreign exchange position of €10.4 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	**2,816,824**	**-**	**11,143**	**-**	**2,827,967**
Additional paid-in capital(1)	2,842,183	-	21,337	-	2,863,520
Additional paid-in capital (2003 share capital reduction)	3,443,099	-	-	-	3,443,099
Additional paid-in capital in respect of contributions	3,971	-	-	-	3,971
Additional paid-in capital in respect of bonds convertible into shares	681,881	-	-	-	681,881
Additional paid-in capital in respect of share subscription warrants	2,725	-	-	-	2,725
Reserve required by law	281,682	-	-	-	281,682
Special long-term capital gains reserve	-	-	-	-	-
Frozen reserves	-	-	-	-	-
Other reserves	-	-	-	-	-
Retained earnings	302,736	-	-	148,142	154,594
Prior year net income/(loss)	314,498	-	-	314,498	-
Tax-driven provisions	5,326	-	1,425	-	6,751
TOTAL BEFORE NET INCOME FOR THE YEAR	10,694,925	-	33,905	462,640	10,266,190
Net income for the year	-	-	883,060	-	883,060
TOTAL AFTER NET INCOME FOR THE YEAR	10,694,925	-	916,965	462,640	11,149,250

(1) €32.4 million share capital increase through the issue of 2,228,518 new shares with a par value of €11.1 million, plus additional paid-in capital of €21.3 million (see Note 1.1 above).

The share capital comprises 565,593,341 shares with a par value of €5 each, compared with 563,364,823 shares with a par value of €5 each as of December 31, 2017.

The €11.1 million share capital increase was the result of the share subscriptions performed under the Group employee savings plan.

The €21.3 million increase in “Additional paid-in capital” is also attributable to this share capital increase.

Dividends distributed to shareholders totaled €462.6 million and were deducted from net income for fiscal year 2017 in the amount of €314.5 million and from retained earnings in the amount of €148.1 million.

4.2 Provisions for contigencies 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	11,407	-	-	1,027	-	10,380
Provision for other contingencies	48,007	-	2,899	496	14,967	35,443
Provision for losses	38,103	-	3,101	32,902	2,123	6,179
TOTAL	97,517	-	6,000	34,425	17,090	52,002
Nature of charges and write-backs:						
Operating			3,637	33,398	2,788	
Financial			-	1,027	14,050	
Exceptional			2,363	-	252	
TOTAL			6,000	34,425	17,090	

4.3 Bonds issues

(in € thousand)	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Other bond issues	9,391,582	877,581	471,560	8,096	9,805,699
Accrued interest on other bond issues	142,662	130,631	142,662	-	130,631
TOTAL	9,534,244	1,008,212	614,222	8,096	9,936,330

The €877.5 million increase breaks down as follows:

- a new €127.5 million fixed-rate bond issue performed on August 9, 2018 and maturing in August 2019;
- a new €750 million fixed-rate bond issue performed on December 5, 2018 and maturing in January 2030;

The €471.6 million decrease breaks down as follows:

- the maturity on May 28, 2018 of the euro-denominated bond line paying a coupon of 5.375% in the amount of €471.6 million.

4.4 Bank and other borrowings

Bank and other borrowings total €7,059.9 million and break down as follows:

(in € thousand)	As of December 31, 2018	As of December 31, 2017
Current accounts with Group subsidiaries	3,488,921	3,552,615
Treasury Note outstandings	3,247,730	3,489,526
Deeply subordinated perpetual securities (TSSDI)[1]	0	1,497,950
Tax group current accounts	269,031	255,500
Bank accounts in overdraft and short-term bank facilities	54,176	51,460
TOTAL	7,059,858	8,847,051

(1) The deeply subordinated perpetual securities (TSSDI) denominated in euros and pound sterling with a nominal amount of €1 billion and GBP 400 million, were redeemed on April 16, 2018 for a euro-equivalent of €1,463 million, excluding interest.

4.5 Operating payables

Tax and employee-related liabilities

This heading totals €77.2 million and includes:

- personnel costs – accrued expenses: €32.7 million;
- social welfare organizations: €24.3 million;
- value added tax: €14 million;
- French State - accrued expenses: €6.2 million.

4.6 Miscellaneous liabilities

Treasury instruments

This heading totals €97.6 million and includes:

- interest-rate derivative spreads: €0.4 million;
- foreign currency derivatives: €65.1 million;
- premium/discount: €32.1 million.

Deferred income

Deferred income totals €100.1 million and mainly concerns financial instruments:

- balancing payments on derivatives of €88.3 million;
- bond issue premiums of €9.3 million;
- deferred income relating to financial items of €1.9 million;
- deferred income relating to operating items of €0.6 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	10,726,069	28,278	10,697,791
Other long-term investment securities	3,483	-	3,483
Loans	935,798	245,798	690,000
Other long-term loans and investments	749,531	-	749,531
Current assets			
Payments on account – inventories	416	416	-
Trade receivables and related accounts	156,025	156,025	-
Group and associates	1,531,529	1,531,529	-
Other receivables	175,695	66,208	109,487
Marketable securities	2,544,289	2,527,885	16,404
Cash at bank and in hand	228,758	228,758	-
Prepayments	75,001	13,512	61,489
TOTAL RECEIVABLES	17,126,594	4,798,409	12,328,185

(in € thousand)	Amount	Falling due in one year	Falling due in one to five years	Falling due after five years
Liabilities				
Bond issues	9,936,330	846,172	4,164,174	4,925,984
Deeply subordinated perpetual securities (TSSDI)	-	-	-	-
Other borrowings	3,247,730	3,247,730	-	-
Group and associates	3,757,952	3,757,952	-	-
Bank accounts in overdraft and short-term bank facilities	54,176	54,176	-	-
Other	421,516	333,415	61,476	26,625
TOTAL LIABILITIES	17,417,704	8,239,445	4,225,650	4,952,609

NOTE 6 INCOME STATEMENT

6.1 Net income from ordinary activities

Net income from ordinary activities before tax is €853.3 million.

6.1.1 Operating revenue

(in € thousand)	Year ended December 31, 2018	Year ended December 31, 2017	Note
Sales of services and other	524,879	485,306	Note 1
Own production capitalized	15,150	11,692	
Operating subsidies	23	102	
Write-back of provisions (and depreciation and amortization) and expense reclassifications	42,147	32,995	Note 2
Other revenue	88,086	87,820	Note 3
TOTAL	670,285	617,915	

Note 1: the increase in sales of services is tied to amounts billed to Group subsidiaries.

Note 2: write-backs of provisions for contingencies and losses total €36.2 million, write-backs of impairment on trade receivables total €0.2 million and expense reclassifications total €5.7 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, 2018	Year ended December 31, 2017	Note
Other purchases and external charges	288,599	302,595	
Duties and taxes other than income tax	19,018	17,619	
Personnel costs (wages, salaries and social security contributions)	221,712	191,178	Note 1
Depreciation, amortization, impairment and charges to provisions	44,034	80,597	Note 2
Other expenses	124,230	121,822	Note 3
TOTAL	697,593	713,811	

Note 1: the increase in personnel costs is mainly due to the €10.8 million increase in the employer contribution to the Group Savings Plan, the €7.8 million increase in bonuses and sundry benefits and the €7.2 million increase in social security contributions.

Note 2: the decrease is mainly due to the €34 million reduction in the loss provision for the Management Incentive Plan (see Note 7.8 below).

Note 3: other expenses include indemnities paid in respect of repair and maintenance work of €100.3 million in 2018 and €92.5 million in 2017.

6.1.3 Financial income and expenses

(in € thousand)	Year ended December 31, 2018	Year ended December 31, 2017	Note
Expenses on long-term borrowings	**(340,163)**	**(403,902)**	
Income from other securities and long-term receivables	**4,114**	**6,786**	
Foreign exchange gains and losses	**25,964**	**614**	
Other financial income and expenses	(3,252)	35,249	
Amortization, impairment and charges to provisions for financial items	(42,175)	(62,243)	Note 1
Investment income	869,113	652,107	
Net gain/loss on sales of marketable securities	(6,606)	(1,992)	
Write-back of provisions for financial items, impairment and expense reclassifications	373,115	76,168	Note 2
Other financial income and expenses	**1,190,195**	**699,289**	
NET FINANCIAL INCOME	880,110	302,788	

Note 1: financial charges in 2018 primarily break down as follows:

- a charge to impairment of inter-company current accounts and loans of €6.5 million in 2018, compared with €24.5 million in 2017;
- amortization of redemption premiums of €18.1 million in 2018, compared with €18.8 million in 2017;
- a charge to impairment of treasury shares of €17.6 million in 2018, compared with a write-back of €64.8 million in 2017.

Note 2: provision write-backs in 2018 primarily break down as follows:

- a write-back of impairment of equity investments of €357.4 million in 2018, compared with €2.7 million in 2017;
- a write-back of provisions for subsidiary risks of €14.1 million in 2018;
- a write-back of impairment of inter-company current accounts and loans of €0.7 million in 2018, compared with €6.2 million in 2017;
- a write-back of provisions for foreign exchange losses of €1 million in 2018, compared with €2.4 million in 2017.

6.2 Exceptional items

Exceptional items, representing a net expense of €43.9 million, break down as follows:

(in € million)	Year ended December 31, 2018
Net write-back of contingency provisions	(2.1)
Net exceptional income from non-capital transactions	(0.9)
Other[1]	(40.9)
TOTAL	(43.9)

(1) Including primarily the net loss on the sale of treasury shares of €39.4 million (see Note 7.8 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 2018 is reflected in the Veolia Environnement financial statements by a tax saving in respect of the subsidiaries of €74.1 million.

A charge of €5.9 million corresponding to tax credits not offset against current income tax was also recognized.

The CICE (Competiveness and Employment) tax credit received by Veolia Environnement in respect of 2018 of €253 thousand enabled the Company to incur additional expenditure and thereby finance improvements in competitiveness primarily through investment, research, innovation, training, recruitment, the prospection of new markets and the replenishment of working capital.

6.4 Net income

Veolia Environnement reported net income of €883.1 million for 2018.

NOTE 7 OTHER INFORMATION

7.1 Off-balance sheet commitments

Commitments given by Veolia Environnement total €2,135.3 million as of December 2018, (including counter-guarantees) and primarily consist of financing and performance guarantees given on behalf of subsidiaries:

(in € thousand)	As of December 31, 2018	As of December 31, 2017	Note
Commitments given			
Discounted Notes not yet matured	-	-	
Endorsements and guarantees[1]	2,073,425	2,085,276	Note 1
Equipment finance lease commitments	-	-	
Real estate finance lease commitments	-	-	
Pension obligations and related benefits	61,909	62,701	Note 2
TOTAL	2,135,334	2,147,977	Note 3
Commitments received			
Endorsements and guarantees	71,681	78,634	

(1) Of which commitments given in respect of related companies: €1.8 million.

Note 1: Main endorsements and guarantees

The €12.6 million decrease in commitments given breaks down as follows:

- the termination of a binding comfort letter to an Australian subsidiary for €33 million;
- the decrease in future rent payable in the total amount of €20.3 million;
- an increase related to foreign exchange impacts of €41.1 million.

Veolia Environnement is required to grant the following types of endorsement and guarantee:

- **Operational or operating guarantees of €0.6 billion**

  These are commitments not relating to the financing of operations, required in respect of contracts and markets and generally in respect of the operations and activities of Group companies (bid bonds accompanying tender offers, completion or performance bonds given on the signature of contracts or concession arrangements and counter-guarantees granted by Veolia Environnement to insurance companies that issue bonds on behalf of its subsidiaries). This type of guarantee also includes letters of credit delivered by financial institutions to Group creditors, 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:

  - 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 €65.5 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 €468.2 million;
  - warranties given under the trade receivables factoring program in France, the United Kingdom and the United States in the amount of €92.1 million.

Note 2: Pension obligations and related benefits

A breakdown of obligations, net of plan assets, is presented below:

(in € thousand)

Pension obligations pursuant to Title V of the Collective Agreement	38,549
Collective insurance contract in favor of Group executives (active and retired)	18,250
Insurance company contract in favor of Executive Committee members (retired)	5,110
TOTAL*	61,909

* *Of which obligations for Executive Committee members as of December 31, 2018: €3.5 million.*

Note 3: Other commitments given

In addition to commitments given of €2,135.3 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, 2018, Veolia Environnement held 12,510,389 treasury shares, of which 8,389,059 were allocated to external growth operations and 4,121,330 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, 2018, 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	1,501	340
Foreign currency derivatives	91,047	65,078
Premium/discount*	12,311	32,147
Prepayments	66,884	-
Deferred income	-	88,296
TOTAL	171,743	185,861

* *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	16,660	4,128
Derivatives not qualifying for hedge accounting (trading)	-	-
Foreign currency derivatives		
Derivatives used in matching foreign exchange positions	41,934	41,243
Derivatives used in the overall foreign exchange position	30,333	26,570
Commodity derivatives		
Hedging derivatives	107	107
TOTAL	89,034	72,048

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	429,119	429,119
Floating-rate payer/fixed-rate receiver swaps	EUR	728,173	728,173
TOTAL		1,157,292	1,157,292
Trading swaps			
Fixed-rate receiver/floating-rate payer swaps	EUR	-	-
Fixed-rate payer/floating-rate receiver swaps	EUR	-	-
TOTAL			

The notional amounts of cross-currency swaps, currency swaps and currency forwards at the balance sheet date are presented below:

(in € thousand)	Purchases	Sales
Currency hedging instruments included in matching foreign exchange positions:		
Cross currency swaps:		
BRL	-	19,352
CZK	-	97,186
EUR	112,503	-
TOTAL	112,503	116,538
Currency forwards:		
AUD	11,636	247,904
BRL	4,050	50,894
CLP	-	176,170
COP	-	45,662
CZK	101,498	320,251
EUR	4,411,358	319,314
GBP	21,495	1,075,392
HKD	128	425,707
HUF	-	353,861
JPY	1,986	165,569
KRW	4,695	128,137
NOK	-	147,420
RON	-	97,432
SEK	-	522,998
USD	2,147	306,131
Other currencies	15,356	1,371,805
TOTAL	4,574,349	5,754,647

(in € thousand)	Purchases	Sales
Currency hedging instruments included in the overall foreign exchange position:		
Cross currency swaps:		
CNY	79,684	79,684
EUR	60,000	60,000
TOTAL	139,684	139,684
Currency forwards:		
AED	11,060	37,488
AUD	61,075	100,628
CAD	88,729	147,629
CNY	206,206	155,905
CZK	190,832	150,550
DKK	34,722	40,775
EUR	1,666,715	2,174,262
GBP	810,021	171,754
HKD	152,902	410,903
JPY	63,752	78,345
PLN	212,645	137,347
RON	54,087	86,620
SEK	36,366	68,711
SGD	37,596	34,511
USD	683,796	519,852
Other currencies	154,552	144,700
TOTAL	4,465,056	4,459,980

7.4 Average workforce

	2018 Salaried employees	2017 Salaried employees
Executives	985	979
Supervisors and technicians	41	46
Administrative employees	49	49
Workers	-	-
TOTAL	1,075	1,074

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	**3,207,862**

The above amount only includes compensation borne by Veolia Environnement.

Compensation paid by other entities is, therefore, excluded.

7.6 Deferred tax

Increases in the deferred tax liability

(in € thousand)	Amount
Tax-driven provisions	
Accelerated depreciation	6,751
Provisions for price increases	-
Provisions for exchange rate fluctuations	-
Other	
Investment subsidies	-
Income temporarily non-taxable	-
Income deferred for accounting but not tax purposes	-
Expenses deducted for tax purposes but deferred for accounting purposes	97,236
Unrealized foreign exchange losses	1,549,571
Change in value of treasury instruments - Assets	-
TOTAL	1,653,558

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	57,146
Other	
Taxed income not recognized	87,268
Difference between the NCA/tax value of treasury shares	91,461
Amortization of option premiums	-
Unrealized foreign exchange gains	1,437,724
Change in value of treasury instruments - Liabilities	-
TOTAL	1,673,599
Tax losses carried forward	3,617,610
Long-term capital losses	1

If the Company were taxed separately, the impact of these timing differences on the financial statements would generate a theoretical net tax receivable of €939.6 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 3, Section 3.5 above).

7.8 Share-based compensation

A share subscription option plan (no. 8) was set-up on September 28, 2010 by decision of the Board of Directors. This plan expired on September 28, 2018. At the date of expiry, no shares had been subscribed by Group management or employees under this plan.

Management incentive plan

In October 2014, the Group set up a long-term incentive mechanism, known as the "Management Incentive Plan" (MIP), for the Group's top executives (including the Chairman and Chief Executive Officer and Executive Committee members).

This plan is based on a joint investment approach with a personal investment by the beneficiary in the Company's shares, accompanied by the grant, subject to performance conditions, of an "additional" share bonus financed by the Group.

The share bonus, granted in three tranches, is tied to an increase in the share price and the achievement of financial performance criteria relating to the publication of the Group's 2015, 2016 and 2017 annual accounts.

The three tranches vested on expiry of the plan in April 2018 and a total of 1,721,782 shares were delivered (5,030 shares in 2016 and 1,716,752 shares in 2018).

The €23.6 million provision recognized in respect of the MIP at the end of December 2017 in operating income and the €18.4 million impairment recognized on treasury shares in financial income were written-back in 2018. A capital loss on the sale of the treasury shares of €39.4 million was also recognized in exceptional items.

Employee savings plan

In 2018, Veolia proposed a new Group employee share ownership transaction, rolled-out across 29 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 €15.28.

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 €500. 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 September 20, 2018, Veolia Environnement issued 2,228,518 new shares under the Group Savings Plan, representing a share capital increase of €34 million.

In 2018, an expense of €10.7 million was recognized in respect of the savings plan and rebilled in part to Group subsidiaries.

Performance Share Grant Plan

In 2018, the Group set-up a performance share grant plan for approximately 700 top executives, high potential employees and key contributors, subject to the beneficiary's presence in the Group at the vesting date on May 2, 2021.

The number of shares that vests will depend on the average increase over three years in current net income attributable to owners of the Company per share, as reported in the Group's consolidated financial statements during the reference period for fiscal years 2018, 2019 and 2020 compared with the 2017 base year. As of December 31, 2018, 1,669,973 shares may potentially be granted, before consideration of achievement of the performance condition.

A charge to the provision for the performance share grant plan was recorded in operating income in the amount of €0.9 million in 2018.

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 also required to hold the shares for a period of two years from the vesting date that is until May 2, 2021.

A charge to the provision for the free share grant plan was recorded in operating income in the amount of €0.1 million in 2018.

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 (4.60% shareholding as of December 31, 2018)

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 €16,925,536 in respect of fiscal year 2018.

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.

Relations with Raise Investissement

In July 2016, Veolia Environnement subscribed to a share capital increase for cash by Raise Investissement SAS in the amount of €5 million (subscription for 5 million newly issued shares with a par value of one euro each). The subscription amount was paid up 50% in July 2016, 25% in October 2017 and the residual 25% on November 21, 2018.

The duties of Chairman of Raise Investissement SAS are performed by Raise Conseil SAS.

Mrs. Clara Gaymard, a director of Veolia Environnement, is considered a related party due to her position as Chief Executive Officer of Raise Conseil SAS.

Relations with SM Conseil

On March 20, 2017, Veolia Environnement entered into a three-year service agreement with SM Conseil SAS, commencing immediately. Under the terms of the agreement, Veolia Environnement retained this company to assist it (i) promote Veolia to other stakeholders and potential partners with the aim of developing its business and (ii) identify potential decision-makers and managers likely to contribute to the implementation of its strategy.

This agreement provides for payment to SM Conseil of fixed remuneration of €400,000 per annum, adjusted in line with the SYNTEC index. It does not provide for the payment of success fees.

SM Conseil is chaired by Mr. Serge Michel, a non-voting director (*censeur*) on the Veolia Environnement Board of Directors

7.10 Subsequent events

Agreement for the sale to Rethmann Group of Veolia Environnement's stake in Transdev

On January 9, 2019, Veolia Environnement closed the sale to the German group, Rethmann, of its residual 30% stake in Transdev Group, for a consideration of €340 million (see Chapter 4, Section 4.1 above, Notes 3 and 14).

Bond issue

On January 7, 2019, Veolia Environnement successfully issued a €750 million 5-year bond with a yield of 0.892%. The bond was issued at par and will mature in January 2024. The proceeds of this issue will be used for general corporate purposes. The high level of subscription, the quality of the investor base and the good conditions that were achieved in spite of Veolia Environnement having already tapped the bond market in November 2018, are signals of the significant appreciation of Veolia Environnement's credit quality and its financial strength (see Chapter 3, Section 3.7 above).

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7.11 Subsidiaries and equity investments[1]

Investments acquired in 2018, within the meaning of Article L. 233-7 of the French Commercial Code (crossing of investment thresholds laid down by law) concern:

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	832,944	100.00%	8,300,000	5,666,473
Veolia Propreté[1]	8,967,700	143,483	1,237,133	100.00%	1,930,071	1,930,071
Veolia Énergie International[1]	87,995,953	1,760,127	411,484	99.99%	1,137,264	1,137,264
VE Finance[1]	100,003,700	1,000,037	65,478	100.00%	1,000,037	1,000,037
Veolia North America Inc.[2]	198	1	846,133	13.43%	693,526	693,526
Transdev Group	35,461,110	1,137,120	150,458	30.00%	582,611	335,000
Veolia Environnement Énergie et Valorisation[1]	13,703,700	137,037	49,895	100.00%	137,037	129,528
Veolia Holding America Latina SA	16,283	97,698	71,321	100.00%	311,397	311,397
Veolia Environnement Services-RE	7,099,999	71,000	33,419	100.00%	71,000	71,000
Codeve	3,000,000	3,000	24,717	100.00%	38,000	27,608
Campus Veolia Environnement	10,000	100	(5,404)	100.00%	64,751	0
Veolia Industries Global Solutions	1,033,334	15,500	7,239	100.00%	16,113	16,113
SA LT 65	60,000	807	(1,131)	1.56%	300	0
VIGIE 3 AS	41,829	251	15,902	100.00%	266	266
Artelia Ambiente S.A.	10,000	50	(132,023)	100.00%	50	0
VIGIE 1 AS[1]	21,100	211	1,875	100.00%	238	238
VIGIE 2	3,814	38	(7,441)	99.84%	38	0
SIG 41	2,000	20	0	100.00%	53	23
VIGIE 28 AS	3,700	37	20	100.00%	37	37
Veolia Innove	3,700	37	173	100.00%	903	210
Veolia Environnement Ingénierie Conseil	14,657	147	24	100.00%	7,520	171
VIGIE 33	2,000	20	(1)	100.00%	37	37
VIGIE 34	3,694	37	(19)	99.84%	37	37

(1) Reporting currency – in € thousands.

Loans and Advances granted by the Company (gross)**	2017 revenue	2018 revenue (provisional figures)	2017 net income	2018 net income (provisional figures)	Dividends recorded in the last fiscal year	Year-end
(200,649)	2,524,575	2,467,031	164,758	157,186	165,583	Year ended December 31, 2018
(205,693)	469,716	508,423	54,481	115,041	51,116	Year ended December 31, 2018
(746,507)	133,190	143,131	205,572	108,976	-	Year ended December 31, 2018
8,362,400	401,203	957,704	36,941	17,555	160,006	Year ended December 31, 2018
48,816	(34,329)	(27,765)	49,863	142,233	3,150	Year ended December 31, 2018
0	90,550	89,699	155,040	(129,135)	-	Year ended December 31, 2018
(51,202)	9,960	41,211	31,662	40,296	22,063	Year ended December 31, 2018
79,576	41,388	18,284	39,030	21,479	1,744	Year ended December 31, 2018
-	38,662	44,282	(1,406)	9,420	-	Year ended December 31, 2018
-	16,528	20,355	596	2,066	-	Year ended December 31, 2018
1,065	24,708	23,729	(2,151)	(3,255)	-	Year ended December 31, 2018
(376)	146,608	175,196	4,428	6,860	3,700	Year ended December 31, 2018
0	1,974	1,747	3	(430)	-	Year ended June 30, 2018
6,052	-	-	5,490	5,899	6,647	Year ended December 31, 2018
106,350	1,299	0	(65,857)	(2,891)	-	Year ended December 31, 2018
10,077	6,000	0	3,388	(2,646)	3,017	Year ended December 31, 2018
7,471	-	-	(142)	(56)	-	Year ended December 31, 2018
(9)	-	-	(2)	(3)	-	Year ended December 31, 2018
(24)	-	-	3	3	-	Year ended December 31, 2018
192	4,329	5,313	15	191	-	Year ended December 31, 2018
2,682	3,924	2,640	3	20	-	Year ended December 31, 2018
(21)	-	-	(2)	(2)	-	Year ended December 31, 2018
(21)	-	-	(2)	(3)	-	Year ended December 31, 2018

Company	Number of shares held	Share capital	Shareholders' equity other than share capital*	% share capital held	Carrying amount of shares held	
					GROSS	NET
VIGIE 37 AS	3,700	37	(46)	100.00%	37	37
VIGIE 41 AS	3,700	37	(17)	100.00%	37	37
VIGIE 43 AS(1)	3,700	37	(1,976)	100.00%	37	37
GECIR GIE - in liquidation(4)	5	N/A	(1)	5.00%	35	35
Veolia Eau d'Île-de-France	100	100	15,166	1.00%	1	1
Sloveo AS	1	33	1,360	1.00%	0	0
Veolia Support Services China	1	0	0	100.00%	0	0
Veolia Support Services Deutschland	1	25	(3)	100.00%	25	25
SNCM Judicial liquidation	1,581,185	32,477	(704,469)	73.03%	0	0
VIGIE 48 AS	3,700	37	(5)	100.00%	37	37
VIGIE 49 AS	3,700	37	(5)	100.00%	37	37
VIGIE 50 AS	3,700	37	(5)	100.00%	37	37
VIGIE 51 AS	3,700	37	(5)	100.00%	37	37
VIGIE 52 AS	3,700	37	(5)	100.00%	37	37
Veolia Water Information Systems (VW IS)	260,173	9,625	1,001	13.52%	1,717	1,437
Vestalia	519	37	958	14.03%	89	89
GIE Veolia Placements(4)	1	N/A	1,558	50.00%	0	0
Other subsidiaries and equity investments (less than 1% of share capital)						
Veolia Environnement UK(3)	866,733	865,285	38,389	0.11%	1,387	1,387
Vigeo	5,750	12,927	(4,572)	0.22%	219	23
Fovarosi Csatornazasi Muvek Reszvenytar	1	219,714	95,085	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 consists in being the head holding company of the US consolidated tax group.*

(3) *The main activity of this company consists in being the head holding company of the UK consolidated tax group.*

(4) *Number of votes.*

NC Not communicated.

N/A Not applicable.

Loans and Advances granted by the Company (gross)**	2017 revenue	2018 revenue (provisional figures)	2017 net income	2018 net income (provisional figures)	Dividends recorded in the last fiscal year	Year-end
-	1,730	0	(11)	(23)	-	Year ended December 31, 2018
-	-	-	(2)	(3)	-	Year ended December 31, 2018
-	-	392	(123)	(453)	-	Year ended December 31, 2018
-	0	0	(4)	(1)	-	Year ended December 31, 2018
-	407,489	417,609	12,852	15,166	-	Year ended December 31, 2018
-	9,308	9,860	266	435	2	Year ended December 31, 2018
-	0	0	0	0	-	Year ended December 31, 2018
-	-	-	(1)	0	-	Year ended December 31, 2018
-	NC	NC	NC	NC	-	Year ended December 31, 2018
-	-	-	(2)	(2)	-	Year ended December 31, 2018
-	-	-	(2)	(3)	-	Year ended December 31, 2018
-	-	-	(2)	(3)	-	Year ended December 31, 2018
-	-	-	(2)	(3)	-	Year ended December 31, 2018
-	-	-	(2)	(3)	-	Year ended December 31, 2018
-	82,758	88,892	(2,787)	170	0	Year ended December 31, 2018
-	15,739	16,984	1,078	952	234	Year ended December 31, 2018
0	1,006	2,444	596	1,558	-	Year ended December 31, 2018
818,029	81,309	87,534	1,721	966	-	Year ended December 31, 2018
-	9,705	12,750	(3,368)	(3,600)	-	Year ended December 31, 2018
0	117,469	122,341	11,295	11,905	-	Year ended December 31, 2018

4.2.6 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

This is a translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This Statutory Auditors' report includes information required by European regulation and French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to the shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2018

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, 2018.

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, 2018 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.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 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 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, 2018, equity investments and loans to equity investments are recorded in the balance sheet at a net carrying amount of €21,942 million and represent 73% 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

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 also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the 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*).

Corporate governance information

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 received by the Directors and any other commitments made in their favor, we have verified its consistency with the financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

We verified the compliance of the information provided pursuant to Article L. 225-37-5 of the French Commercial Code (*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 information

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, 2018, KPMG SA was in the twenty-fourth year of total uninterrupted engagement and Ernst & Young et Autres the twentieth year, including nineteen 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 financial statements, whether due to fraud or error, design 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 12, 2019

KPMG Audit		ERNST & YOUNG et Autres	
A division of KPMG S.A.			
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

	2018	2017	2016	2015	2014
Share capital at the end of the fiscal year					
Share capital *(in € thousand)*	2,827,967	2,816,824	2,816,824	2,816,824	2,811,509
Number of shares issued	565,593,341	563,364,823	563,364,823	563,364,823	562,301,801
Transactions and results for the fiscal year *(in € thousand)*					
Operating income	670,285	617,915	599,793	566,257	656,550
Income before taxes, depreciation, amortization and impairment	489,543	256,086	295,026	112,816	486,613
Income tax expense	73,693	94,566	103,370	107,319	97,287
Income after taxes, depreciation, amortization and impairment	883,060	314,498	513,840	343,600	468,647
Distributed income	508,836 (1)	462,640	439,728	401,184	383,953
Earnings per share *(in euros)*					
Income after taxes, but before depreciation, amortization and impairment	1.00	0.62	0.71	0.39	1.04
Income after taxes, depreciation, amortization and impairment	1.56	0.56	0.91	0.61	0.83
Dividend per share	0.92	0.84	0.80	0.73	0.70
Personnel					
Number of employees	1,075	1,074	1,019	1,046	1,078 (2)
Total payroll *(in € thousand)*	139,234	132,793	132,621	125,542	157,094
Total benefits (social security, benevolent works, etc.) *(in € thousand)*	82,478	58,385	63,283	66,045	58,478

(1) The total dividend distribution presented in the above table is calculated based on 565,593,341 shares outstanding as of December 31, 2018, less 12,510,389 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.

(2) Following the Veolia Group's reorganization, the average workforce of Veolia Environnement increased sharply in 2014 due to the integration of the Group registered office teams and expatriate staff within Veolia Environnement.

Other disclosures

Expenses not deductible for tax purposes

Pursuant to Article 223 quater of the French General Tax Code, expenses and charges referred to in Article 39-4 of the French General Tax Code totaled €592,982 (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, 2018.

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, 2018 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	385					685
Total invoice amount concerned (incl. VAT) *(in € thousand)*	18,867	7,070	393	261	493	8,217
As a percentage of total purchases of the fiscal year (incl. VAT)	5.48%	2.05%	0.11%	0.08%	0.14%	2.38%
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	557					
Total invoice amount excluded (incl. VAT) *(in € thousand)*	14,630					
(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)
359					538
54,448	(5,743)	2,653	16,586	16,706	30,202
9.54%	(1.01%)	0.46%	2.91%	2.93%	5.29%
34					
13,939					
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 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 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	Section
5.2.1 Risks relating to the business environment in which the Group operates	Risks relating to changes in markets, technology and competition	5.2.1.1
	Country risks	5.2.1.2
	Risks relating to natural disasters, climate change and seasonal factors	5.2.1.3
5.2.2 Operating risks	Third-party liability risks and particularly health and environmental risks	5.2.2.1
	Risks relating to the security of persons, tangible and intangible property, securities and information systems	5.2.2.2
	Risks relating to changes in the Group's business activities	5.2.2.3
	Risks related to human resource management	5.2.2.4
	Risks relating to major project design and construction activities	5.2.2.5
5.2.3 Financial risks	Market risks	5.2.3.1
	Liquidity risks	5.2.3.2
	Tax risks	5.2.3.3
5.2.4 Regulatory, ethical and legal risks	Regulatory risks	5.2.4.1
	Ethical and non-compliance risks	5.2.4.2
	Legal and contractual risks	5.2.4.3

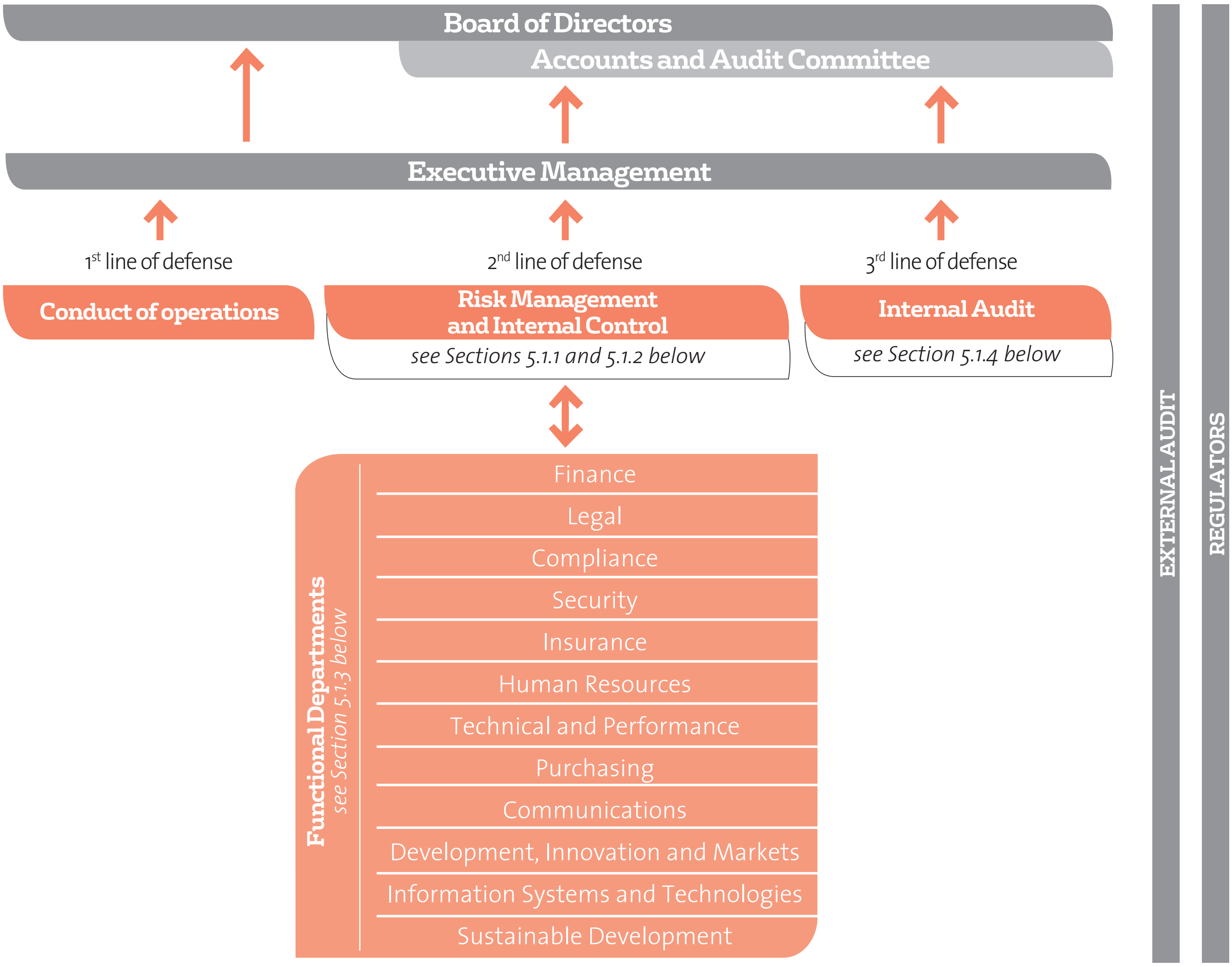
These risks are managed within the Group in accordance with the three lines of defense model (see Section 5.1 below), through a coordinated risk management (see Section 5.1.1 below) and internal control (see Section 5.1.2 below) process and internal audit (see Section 5.1.4 below). Special attention 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 2018, the Group identified four priority actions defined in line with its strategy:

- 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. • **The Executive Management** implements the Group's strategic direction and ensures the roll-out of risk management and internal control systems.
1st line of defense: conduct of operations	Consisting of **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 clients based, in particular, on its ability to manage risks delegated by them. The Group responds to this challenge, which is of fundamental importance to its development, by setting up a coordinated risk prevention and management system.

The risk management system has the following objectives:

- **identify and anticipate:** ensure the constant oversight of the Group's major risks so that no risk is overlooked or underestimated, 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 and Insurance Department that reports to the Group's General Counsel, the Risk Department coordinates and serves as the entry point for the Group's strategic risks and facilitates the risk management system through its network of risk managers in the zones and Business Units.

Together with its network, the Risk Department has developed a common process designed to identify and prioritize events that may prevent the Group from reaching its objectives. It is founded on a common methodology and a Governance Risk and Control (GRC) digital tool used by the entire network, enabling the consolidation of major risks by zone and Business Unit. The Group's risk mapping is updated each year 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 area and/or country and/or head office, so as to limit and manage risk exposure. The network of risk managers contributes to defining the corresponding actions plans and steering the overall process. It also plays an alert and coordination role for emerging risks.

Since 2012, the Risk Department conducts and develops specific analyses by country and geographic region, through its "country risk & opportunities" program (see Section 5.2.1.2 below). This program assesses, in particular, political risks, the risk of institutional instability and corruption risks and supports the Investment Committee in its assessment of external factors potentially impacting Group and zone growth projects.

The Group Chief Risk and Insurance Officer attends meetings of the Accounts and Audit Committee. In 2018, he twice presented a report on the work performed. The first presentation examined the general risk management system and the Group's updated risk mapping. The second presentation examined the Group's insurance policies and programs (see Section 5.1.6 below). This year, the Chief Risk and Insurance 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 in November 2018 (see Chapter 6, Section 6.5.2 below).

The Risk Committee is responsible for validating and monitoring the effectiveness of the action plans covering the major risks identified in the risk mapping. It ensures and supports the proper functioning of the risk management systems and may also decide on which risks are unacceptable within the context of the business. The Risk Committee brings together members of the Veolia Executive Committee, establishing a direct link between the Group's strategy and the risk management process. It is facilitated by the Chief Risk and Insurance Officer and chaired by the Group's General Counsel.

The Group Risk Committee meets to examine the Group's risk mapping and the action plans for mitigating these risks. Risk committees 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 5.1.4 below).

In 2018, the main actions put in place by the Risk Department and its network involved:

- identifying, assessing and ranking risks, based on the common methodology;
- continuing risk prevention and protection measures in the Business Units;
- continuing the work of the "emerging risks" committee;
- supporting Group business development through country risk and project risk analyses;
- performing risk appraisals and implementing resilience offerings for cities;
- monitoring and improving the digital tool implemented in 2015 for risks and action plans;
- assessing and monitoring analyses of specific risks: human rights (see Section 5.2.1.2 and Chapter 6, Section 6.5.3.3.2 below) and risks relating to corruption and influence peddling, as well as analyzing risks relating to the main stakeholders (supplier and partners) (see Section 6.5.2.3.2 below).

5.1.2 COORDINATED INTERNAL CONTROL SYSTEM

Objectives

The main objective of the internal control system is to prevent and manage the risks arising from the Group's businesses, in particular the risks of error or fraud. Like any control system, however, no absolute guarantee can be provided that these risks are completely eliminated.

The purposes of the internal control procedures in force within the Group are:

- to ensure that management acts fall within the framework defined by applicable laws and regulations, the corporate decision-making bodies and the Group's values, standards and rules, as well as the strategy and objectives defined by Executive Management;
- to ensure that the accounting, financial and management information communicated to the Company's corporate decision-making bodies fairly reflects the activity and position of the Company and the Group, by defining and guaranteeing the implementation of a high-performing control system covering the Group's processes through assisting all Business Units and entities.

Veolia's internal control conceptual framework is based on the fundamental principles defined by COSO. In addition, Veolia's internal control structure and procedures are not materially different from the principles set-out in the internal control reference framework or the application guidance recommendations published by the French Financial Markets Authority (AMF).

Organization

Internal control relies initially on the effective management of all of the Group's business processes, including non-finance related processes (commercial, technical, human resources, legal, communication, etc.). The Internal Audit Department then conducts a stringent review of the application of the Group's rules.

All aspects of internal control, especially financial and operational aspects, are vital to Veolia. The Group's ongoing objective is to maintain the right balance between the decentralization that is necessary for its activities, the highest level of operational and financial control, and the dissemination of expertise and best practices.

The steering and coordination of internal control is founded on these principles and organized as follows:

The Executive Committee steers and supervises the 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 2018, 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 structuring and coordination of the fraud prevention system. A "Warning and fraud reporting" internal Group procedure was implemented in 2015. A tool for reporting fraud exists within the Group since 2005 and enables, in particular, fraud patterns to be escalated and understood and the necessary protection measures to be implemented. Three major categories of fraud must be reported: misappropriation of assets, the communication of fraudulent information and other unethical behavior resulting in identified fraud causing loss to the Company;
- the monitoring of the implementation by the entities of internal control action plans defined following self-assessments or internal control assignments. Veolia has implemented a system to monitor the effectiveness of the internal control system based on the roll-out of an electronic application comprising self-assessment questionnaires and tests that enable the traceability of the controls performed. This self-assessment questionnaire covers around 70% of the Group's indicators and is supplemented by controls performed by the internal and external auditors. This work is managed by the Internal Audit Department and performed

in conjunction with the relevant operations or Business Units managers and in close collaboration with the Statutory Auditors, under the supervision of the Veolia Environnement Accounts and Audit Committee. Based on the results of the self-assessment, the Internal Control Department asks the Business Units to draw-up actions plans to improve the internal control system. 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.

In 2018, the Internal Control Department notably:

- updated procedures for financial cycles and certain transaction cycles, as well as the Financial managers code of conduct, to take account of changes in the strengthened Group compliance program;
- raised awareness of corruption risks and supported the internal control network and finance functions;
- launched an anomalies query project in accounting applications (big data technology), to improve detection and control of fraud and corruption risks and dysfunctions;
- continued employee training on fraud risks, with the introduction of an e-learning course for target populations;
- organized the monitoring of action plans aimed at improving the level of internal control by the Business Units, using a dedicated tool within its network to monitor the actions plans implemented following the self-assessment questionnaires;
- 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. The ultimate goal of these control reviews is to constantly improve internal control procedures and the sharing of best practices within the network.

The two departments presented above, and their respective networks, contribute together to attaining the internal control objectives. They work closely with:

- the Risk Department, to ensure that control activities focus on identified risks;
- the Internal Audit Department, which regularly confirms the proper application of standards defined.

5.1.3 FUNCTIONAL DEPARTMENTS

Each functional department of the Group is responsible for its area of expertise and the functions that contribute to mitigating risks and controlling their activities and notably:

- defining standards and setting rules and principles applicable in its sector, in conjunction with the other departments concerned;
- assisting their networks with complex issues or issues common to several Business Units;
- encouraging the sharing of best practices and developing appropriate training programs where necessary;
- analyzing failings and the results of audits to improve existing processes.

Functional Department	Primary role
Finance Department	• protect the Group's assets; • implement a financial control framework for transactions and financial operations; • steer the Group's financial performance; • prepare the financial statements (see Section 5.1.5 below); • ensure compliance with prevailing tax regulations and legislation.
Legal Department	• serve clients; • control transactions; • protect the Group's employees and assets.
Compliance Department	• 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	• ensure technological development and the industrial scale-up of innovations; • provide operational support to entities and monitor Group performance.
Purchasing Department	• define and deploy purchasing strategies to reduce the Group's cost base.
Communications Department	• define, implement and steer the Group's overall communication strategy, ensure its consistency and monitor compliance in all geographies.
Development, Innovation and Markets Department	• contribute to the definition, steering and application of the growth strategy in accordance with historical business models and also through the emergence and communication of innovative solutions, technologies and business models.
Information Systems and Technologies Department	• accompany digital transformation, while rationalizing IT structures and operations to improve service quality and operating performance within the Group.
Sustainable Development Department	• define and facilitate the roll-out of Veolia's sustainable development commitments; • report and capitalize on the Group's CSR actions and performance; • contribute to multi-actor dialogue on environmental and societal issues.

5.1.4 INTERNAL AUDIT

The Internal Audit Department performs assignments throughout the entire Group, according to a charter and an annual program. It has a staff of 24. The Audit Director reports to the Chairman and Chief Executive Officer of Veolia Environnement. He attends meetings of the 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. Once annually, the Audit Director presents the results of the internal control self-assessment to the Accounts and Audit Committee. Action plans based on these results are presented by the Internal Control Department.

The objective of the Internal Audit Department is to assess risk management, control and corporate governance processes and to contribute to their improvement through a systematic and methodical approach. This approach covers all aspects of internal control and in particular the accuracy and integrity of financial information, the effectiveness and efficiency of operations, the protection of assets and compliance with laws, regulations and contracts.

The Internal Audit Department operates based on the following two key mechanisms:

- the implementation of an annual audit program approved by the Accounts and Audit Committee;
- the guidance and oversight of the annual process of formal, in-depth self-assessment of internal control.

In the course of its assignments, the Internal Audit Department uses dedicated tools to prepare assignments upstream and to organize the assignments themselves, as well as to monitor recommendations after the audit.

The Internal Audit Department is certified by the French Audit and Internal Control Institute (IFACI) since 2006. This certification is based on international professional standards.

In 2018, the Internal Audit Department conducted around 50 assignments, in line with the volume indicated in the annual audit plan. These assignments concerned, in equal parts, internal control efficiency and the assessment of other risks and primarily risks relating to development, strategy, governance, information systems and operations. The department was also tasked with occasional assignments, primarily to investigate suspected or identified frauds during the year.

5.1.5 PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

Organization

The Group **Finance Department** is responsible for preparing the Group's forecast and actual consolidated financial statements and financial documentation, and for defining and implementing its accounting policies.

To this end, the Finance Department is supported by:

- the Zone Financial Supervision, that serves as a link between Zone Directors, the Group Finance Department, the Reporting, Analysis and Financial Planning Department and the Chief Financial Officers for each country (corresponding to the Business Units);
- the Reporting, Analysis and Financial Planning Department organized into four geographic areas and notably responsible for preparing the forecast and actual consolidated financial statements;
- the Internal Control and Finance Process and Business Support Departments that assist the Business Units with the implementation of Group financial processes;
- the Standard and Balance Sheet Valuation Department, that ensures the correct valuation in the Group's balance sheet of all transactions impacting the Company's assets.

In addition, the Group's Tax Department contributes to the definition of consistent procedures for the management of taxes within the Group. Organized by zone, it is responsible for applying tax procedures.

The Financing and Treasury Department, which reports to the Group's Finance Operations Department, helps set up management rules and procedures for arranging financing, managing cash surpluses and managing interest and foreign exchange rates within the Group.

The Development Department, which reports to the Group's Finance Operations Department, supervises mergers and acquisitions and oversees investments and major projects.

The Group's control structures are now realigned by Business Unit, country and zone. Several Group procedures have been revised and implemented at country level.

Specific procedures may be implemented in each subsidiary, particularly with respect to the activity or the breakdown of the Company's share ownership.

Procedures

In addition to the Group processes manual covering the preparation and processing of Group financial information, an instruction memorandum is sent by the Group's Financial Reporting Department to the Finance Departments of the Business 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 hierarchical management and the responsibility and autonomy of financial managers in the effective performance of their operational control function is formally reiterated. Since 2011, the roll-out of this system is supported by training to raise awareness among financial and operational managers of the risk of fraud. The Code was updated in 2018 to strengthen the detection and prevention of corruption risk and all financial managers renewed their signature.

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.

The Group's Chief Risk and Insurance Officer attends meetings of the Accounts and Audit Committee throughout the year, and notably presented in 2018 a report on the Group's insurance policies and programs.

In 2018, the Insurance Department's main actions focused on continuing the roll-out of the Group's insurance program.

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 clients. The Group insurance program provides either "business interruption" coverage or "additional operating cost" coverage depending on each subsidiary's ability to use internal or external solutions to ensure service continuity. These policies contain standard insurance market terms. The Group's property insurance policy was renewed on January 1, 2018 for a period of three years. The level of premiums, deductibles and sub-limits for exceptional socio-political or natural events reflects the terms proposed, or sometimes required, by insurers in the markets in which the risk is underwritten. Group insurance coverage carries a limit per event of €430 million per claim. Some of this coverage includes additional sub-limits per claim or per year. On January 1, 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, €6 million per claim for Energy activities and €8 million per claim for Waste activities, 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 on December 11, 2002. Its meetings are chaired by the Chairman and Chief Executive Officer. In addition to the Chairman and Chief Executive Officer, the Disclosure Committee is comprised of certain members of the Company's Executive Committee, including the Chief Financial Officer, as well as the Group's main functional or operational managers.

According to its internal regulations, the main duties of the Disclosure Committee are to oversee the implementation of internal procedures for gathering and verifying information to be made public by the Company, define the procedures for preparing and drafting reports and communications, review information communicated and approve, in particular, the content of the Registration Document to be filed with the French Financial Markets Authority (AMF). The Disclosure Committee is assisted by a Proofreading Committee responsible for validating the draft Registration Document.

The Disclosure Committee met once in 2018 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 2018. The Proofreading Committee met in February 2019.

5.2 Risk factors

5.2.1 RISKS RELATING TO THE BUSINESS ENVIRONMENT IN WHICH THE GROUP OPERATES

5.2.1.1 Risks relating to changes in markets, technology and competition

Risk identification

The Group operates in a highly competitive environment, which may result in the non-renewal or loss of contracts, limit access to new contracts, or significantly reduce profitability levels on renewal.

The Group develops new technologies and services or uses new information technologies in order to offer clients services that are comparable to or better than those proposed by its competitors. These developments may generate significant costs and/or not produce the anticipated results and may have an unfavorable impact on the Group's results.

Major international companies, niche companies and companies whose overheads or profitability requirements are lower than those of Veolia serve each of the markets in which the Group competes.

Another potential source of contract non-renewal may stem from the desire of certain public authorities to resume the direct management of water-related or waste services (particularly under management contracts).

Furthermore, the use of new information technologies by the Group's competitors or the development by them of better performing and more competitive technologies could reduce or eliminate the competitive advantage the Group enjoys through the use of its technologies, know-how and experience.

Risk management

The Group is required to carefully select the projects it pursues in traditional markets, propose innovative business models, and focus its business on more dynamic industrial markets and locations.

The Group must continue to transform its cost structure to gain a greater competitive edge over its competitors, while controlling the costs associated with its reorganization. The transformation of the Group's organization and its business has already enabled Veolia to leverage its competitive advantage in growth markets where its expertise sets it apart from its competitors and to become a growth partner for its clients

To accelerate the Group's growth strategy, the Innovation, Development and Markets Department launched a development plan covering the period 2016 to 2019. Veolia is therefore strengthening the transformation of its salesforce and implemented a strategic plan organized around priority markets identified by the Group and high added value service offerings (see Chapter 1, Section 1.2.1 above).

Veolia works with its clients to help them grow. Its goal is to provide cutting-edge tailored solutions, through offerings based on attractive business models (remuneration based on the performance of these solutions, innovative financing, etc.). This strategy has been confirmed by recent Group successes with new energy performance contracts, integrated waste management offerings (collection, processing and recovery), and offerings aimed at optimizing resources in the water and wastewater treatment sectors as well as improving the client's operating performance.

Veolia's sales and marketing approach is also founded on the creation of global partnerships and a network of key account managers, mass roll-out of high-potential offerings, and the development of innovative business models, closely coordinated with each geographic zone and operational teams.

To support 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 client issues and seek to enhance offerings based on the specific expertise and added value of the Group's operational teams.

5.2.1.2 Country risks

Risk identification

In a complex and sometimes unstable international environment, risks relating to the conduct of business in certain countries may significantly impact Veolia's financial position and performance, and even its reputation and outlook.

Veolia generates over 79% of its revenue outside France, with activity mainly focused in Europe, the United States, Australia and China. The Group also conducts business in emerging countries. In particular, given the Group's activities and the term of its contracts, Veolia's results can partially depend on external operating conditions, and any related changes, *i.e.* in the geopolitical, economic, social or financial situation or the level of development, or working and environmental conditions.

The Group may be exposed to the political, economic or social instability of one or more countries, making it difficult to conduct business. In certain cases, this risk can be even greater for foreign companies subject to the nationalization or expropriation of private property. In addition, the Group can also be exposed to risks relating to a country's general business practices for companies, and particularly foreign companies, such as a risk of non-payment or slower payment of invoices, sometimes exacerbated by the lack of legal coercive measures, increased foreign exchange risk or restrictions on fund repatriation.

Other factors that may impact the Group's operating conditions in certain countries are the lack or limited development of the legal and social infrastructures required to conduct business, administrative delays, a lack of visibility over future regulatory or tax measures, a lack of qualified labor, as well as foreign exchange control measures and other adverse measures or restrictions imposed by governments. The Group could also be faced with worsening local conditions due to the conduct of its specific activities.

The setting of public utility fees and their structure may depend on political decisions that could impede increases in fees over several years. These fees could therefore no longer cover service costs and provide a return for the Company or its subsidiaries. Major changes to regulations or inadequate regulatory enforcement, political opposition to the conduct of the Group's activities in public markets and local authority challenges to the application of contractual provisions could stop the Group from obtaining or renewing certain contracts.

Veolia could be faced with deterioration in the local economic, social or environmental conditions underpinning its activities, which could upset the economic balance of contracts, mainly due to a rise in unpaid household debts. The Group may also be unable to defend its rights before a court of law in certain countries, particularly emerging countries, should it come into conflict with their governments or other local public entities.

Risk management

The diversity of the Group's locations and its business portfolio mitigates its exposure to country risk. To best protect against these risks, Veolia has notably set-up a country risk and opportunities program within the Risk Department.

The objectives of this program are:

- to assess country risk, encompassing all uncertainties that could affect the conduct of operations and the expected results;
- to analyze the development opportunities.

To meet these objectives, the unit has the following duties:

- assessment of country risk and opportunities: based on information gathered reflecting the Group's issues (country context indicators and assessments provided by external reference sources or, in certain cases, gathered directly from Group managers), the Risk Department produces comparative topical maps as well as a country assessment (with rating and qualitative information). These analyses incorporate not only indicators relating to geopolitical, legal and economic factors but also social, safety, employment-related and environmental conditions;
- assessment of the Group's exposure to country risk: by collecting internal indicators (key performance indicators taken from Group reporting systems), for comparison with country-risk indicators;
- notifying managers and raising awareness: by distributing the various analyses produced and making information available on the Group's intranet.

This analysis is supplemented by the continuous monitoring and analysis of the international security context by the Group Security Department (see Section 5.2.2.2 below).

In addition, in 2017, the risk mapping based on country risk indicators was updated in order to assess the Group's exposure, in its different countries, to external risks relating to human rights issues and the perception of 120 managers of the challenges in this area. By studying this mapping, the geographic zones the most exposed to human rights risks were identified and assessed, the priority challenges analyzed and the zones and Business Units involved in and made aware of this issue, in order to implement actions plans consistent with the risk mapping. (see Chapter 6, Section 6.5.3.3 below).

The potential impacts of Brexit

Risk identification

Significant uncertainties remain surrounding the different implementation scenarios for the United Kingdom's exit from the European Union. In this uncertain context, meetings continue in the United Kingdom/Ireland zone to:

- monitor relations and negotiations between the UK government and the EU;
- analyze and assess the potential impacts for the Group;
- draw-up specific actions plans to deal with the risks and continue to promote the development of the Group in the United Kingdom.

In this context, in the short-term the Group is mainly exposed to an increase in exchange rate volatility between the euro and the pound sterling which could impact the transactions performed in the United Kingdom as translated into euros in the consolidated financial statements. However, the Group considers its exposure to this situation to be limited. The main mid- to long-term risks identified concern environmental policy and energy regulation in the UK, as well as production cost factors and factors concerning the employment market.

Risk management

As regards the potential impacts of Brexit, the Group's exposure to foreign exchange transaction risk is limited as of December 31, 2018, as the Group's activities are performed by subsidiaries operating in their own countries and their own currency. With regard to foreign exchange risk on assets, as it is 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. The Group is closely monitoring the dedicated action plans in order to limit these risks.

5.2.1.3 Risks relating to natural disasters, climate change and seasonal factors

The information presented in this section concerns the financial risks relating to the effects of climate change as referred to in Article L. 225-37 of the French Commercial Code.

Risk identification

Due to the geographic spread of its operations and sites, the Group could be exposed to natural disasters such as floods, earthquakes, extreme droughts, landslides, cyclones or tsunamis. This risk is exacerbated by climate change, which has a direct impact on the frequency and severity of these events.

These external factors could impact:

- the operating performance of facilities;
- business continuity;
- the environmental footprint;
- the construction period for facilities;
- the cost of insurance coverage tied to the impact on capacity in the insurance and reinsurance market.

Very large-scale or recurring natural disasters can also lead to exceptional disruption in external infrastructures and roads 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.

Accordingly, despite the forward planning and protection measures implemented by the Group and the insurance policies subscribed, the occurrence of these exceptional events could impact the Group's results. Furthermore, the Group may be required to compensate the availability of resources initially planned to provide the solutions (due to business disruption), with resources that cost more than forecast.

A natural disaster, climatic incident, or other exceptional event the extent of which is difficult to forecast may have a negative impact on the Group's activities and this despite third-party liability, property damage and business continuity insurance coverage of the Group's subsidiaries (see Section 5.1.6.3 above).

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 above). The implementation of Phase III of this scheme, covering the period from 2013 to 2020, mainly consists in phasing out, from January 1, 2013, the free allocation of emission allowances for electricity production (with exemptions for certain central European countries) and significantly reducing free allocations for heat generation. The overall objective is to achieve a 20% reduction in greenhouse gas emissions by 2020 (compared with 1990 levels). As a result, the Energy businesses saw a 45% decrease in their emission allowances over the period 2013-2017 and must now purchase a portion of the allowances necessary for the production of electricity and heat. In this context, Veolia's risk derives from two sources: firstly, the Group may produce higher levels of emissions than anticipated, either for technical or business reasons, which would require it to incur additional expenses, and secondly, the Group may not be able to fully pass on the additional cost of purchasing allowances in its pricing formula.

Furthermore, climate change impacts trends in the frequency, seriousness and impact of climatic conditions on the Group's activities and notably access conditions to resources (exceptionally high or low rainfall, floods, etc.), changes in domestic water consumption and changes in energy volumes during mild winters. While the solutions proposed by Veolia highlight the circular economy, the impact of the climate on the scarcity of resources can have consequences on the cost of accessing resources. The Energy business generates most of its earnings in the first and fourth quarters of the year, when heating is used in Europe, while in the Water business, household water consumption tends to be higher between May and September in the northern hemisphere. Accordingly, these two businesses and therefore the Group's earnings may be impacted by significant deviations from seasonal weather patterns.

Thus, climate variability from one year to the next may have an impact on the operating results of certain Group businesses.

Risk management

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, climate change and seasonality on its results.

In addition, the Group provides cutting-edge solutions to the most complex issues encountered by clients and offerings founded on attractive business models such as performance-based payment terms, to mitigate the risks relating to seasonal factors.

The implementation of services essential to the activities of public authorities and industrial companies requires constant vigilance and anticipation: the management of risks delegated by clients, particularly with regards to climate change, is at the heart of Veolia's expertise.

Over and above regulatory requirements, Veolia proposes active management solutions for risks relating to natural disasters and climate change through:

- the implementation of prevention and control measures for its facilities;
- the incorporation of climate change issues at sites operated;
- the introduction of solutions to assist clients reduce their vulnerability.

The risk relating to natural disasters is mitigated by: (i) the choice of a site's location in order to limit exposure, (ii) analyses of the various scenarios to enable the implementation of tailored prevention plans and (iii) the development of business continuity plans. Site audits and insurance coverage completes management measures for this type of risk.

Veolia was very quick to adopt an active strategy in order to manage its greenhouse gas emissions and allowances, by implementing an appropriate structure and creating a special-purpose legal entity to purchase, sell and price different types of greenhouse gas allowances. In addition, through its Energy businesses, the Group allocates a significant share of its investment each year to reducing greenhouse gas emissions. In particular, these investments are designed to modernize the Group's plants, which today are mostly either gas-fired or coal-fired, by transitioning to facilities using biomass or combining coal and biomass so as to increase energy recovery and encourage reduced consumption. Deeply committed to combating climate change, Veolia develops resource use models that are more restrained and efficient and primarily founded on the principles of the circular economy. The Group also supports measures favoring the large-scale development of a low-carbon and resilient economy based on a CO_2 polluter-payer and subsidized clean-up principle; *i.e.* the setting and application of a robust and predictable carbon price.

Furthermore, the Group seeks to tackle greenhouse gas emissions with a short lifespan and a high global warming potential, such as methane. Lastly, Veolia makes every effort to negotiate pricing schemes with its clients that enable it to recover its entire production costs, including the purchase at market price of greenhouse gas emission allowances.

5.2.2 OPERATING RISKS

5.2.2.1 Third-party liability risks and particularly health and environmental risks

Risk identification

Veolia continues to commit the necessary means to comply with its environmental, health and safety obligations and to manage sanitary risks. In particular, these rules concern water discharges, drinking water quality, waste processing, soil and ground water contamination, the quality of smoke fumes and gas emissions.

While regulatory changes offer new market opportunities for the Group's businesses, they also generate a number of risks.

In accordance with legal, regulatory and administrative requirements (see Chapter 1, Section 1.6 above), including specific precautionary and preventive measures, Veolia is required to incur expenditure or invest to bring facilities under its responsibility into compliance. If it has no investment responsibility, Veolia advises its clients to ensure they undertake the necessary compliance work themselves.

In addition, the risks facing the Group sometimes concern the condition of facilities on acquisition, the fact that the Group is not always responsible for the necessary investment, and clients' varying levels of awareness of such matters.

Failure by clients to meet their compliance obligations could be prejudicial to the Group as operator and adversely affect its reputation and growth capacity. Furthermore, regulatory bodies are authorized to initiate proceedings, which could lead to the suspension or cancellation of permits or authorizations held by the Group or injunctions to suspend or cease certain activities or services. These measures may be accompanied by fines and civil or criminal sanctions, which could have a significant negative impact on the Group's reputation, activities, financial position, results and outlook.

If Veolia is unable to recover this investment or expenditure through higher prices, its operations and profitability could be affected. Environmental laws and regulations are constantly being amended and tightened. These amendments can generate significant compliance expenditure or investment, which cannot always be anticipated, despite the observation systems implemented.

In addition, under environmental services outsourcing contracts, the Group's subsidiaries conduct activities at certain environmentally sensitive sites known as high or low threshold Seveso sites (section 4000 of the French "Installations Classified for the Protection of the Environment" (ICPE) system) or the foreign equivalent, operated by industrial clients (particularly petrochemical industry sites). In these instances, service management requires even greater care due to the more dangerous nature of the products, waste, effluents and emissions to be treated, as well as the close proximity of installations managed by the Group to client sites. The regulatory regime governing Seveso facilities applies only within the European Union, but the Group operates several similar sites outside of this region that are subject to the same level of stringent regulation.

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. Moreover, in accordance with current standards and taking account of the recommendations of internal and external experts, Veolia implements control, maintenance and improvement measures either directly or in collaboration with clients when they assume responsibility for investments relating to the facilities. When Veolia designs new facilities, it strives to meet technical specifications that are sometimes more stringent than current prevailing standards. For older facilities, Veolia systematically carries out renovations or strongly recommends that owners do the same. At European level, the REACH, CLP (Classification, Labeling and Packaging) and Biocides regulations are monitored and applied in accordance with the relevant timelines.

It is the Group's general policy to contractually limit its liability, implement the necessary prevention and protection measures, and to take out insurance policies that cover its main accident and operational risks (see Section 5.1.6 above).

Faced with the risk of being held jointly liable with its clients in the event of serious contamination or accidents, the Group strives to satisfy its own obligations while helping to ensure that clients do the same. At operating sites (waste treatment centers, landfill sites, incineration facilities, heat generation plants, drinking water production facilities, wastewater treatment plants, etc.), an analysis of the various industrial accident scenarios is regularly performed enabling appropriate prevention plans to be established and a business continuity plan to be developed. Given the nature and potential seriousness of all of the risks mentioned above, the Group has implemented three principal types of actions to help control and manage these risks:

- the prevention of accidents that may damage property and as a consequence cause harm to people or the environment 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 are conducted regularly to identify and prevent industrial risks (fire, machine breakdown, environmental damage, etc.);
- the Group has purchased insurance covering public liability and liability resulting from unavoidable or accidental pollution and has also taken out material damage policies (see Section 5.1.6 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. In its three business lines, when the Group provides services at a "Seveso" facility or its foreign equivalent, it actively participates in the implementation of health and safety measures at these sites. The application of more stringent regulatory standards for these sites requires Group employees to undergo specialized training, attend health and safety committee meetings at industrial clients' sites and comply with the Major Accident Prevention Policies (MAPP) implemented by its clients. Seveso facilities are also subject to specific internal control measures that seek to prevent accidents and protect employees, the public and the environment. In addition to MAPPs, Internal Operational Plans (IOP) also apply to these facilities, as well as crisis intervention measures coordinated with public authorities in the event of an incident (Emergency Response Plan, ERP).

5.2.2.2 Risks relating to the security of persons, tangible and intangible property, securities and information systems

Risk identification

The protection of the Group's employees, activities and resources is subject to extremely strict constraints and particularly regulatory constraints, which could expose a Group company to liability. Given the nature of the Group's activities and its geographic spread, its employees, tangible and intangible property, securities and information systems could be the target of malicious or terrorist acts.

For example:

- the drinking water sector is an activity of vital importance with major public health considerations;
- energy services and waste management solutions as well as the industrial facilities managed by the Group could be the target of malicious act;
- Veolia employees work or travel in countries where the political, geopolitical or social climate can expose them to criminal, malicious or terrorist acts or violent situations;
- information systems are indispensable tools for carrying out the Group's operational activities and managing its functional departments (Finance, Human Resources, etc.). Information system downtime resulting from a disaster or a malicious act involving one or more of these information systems could have major consequences for the quality or even the continuity of the service delivered and for the availability, integrity and confidential and strategic nature of the Group's data, and could thus potentially have an impact on the activity of its clients.

The deterioration in international security and the multiplication of information and media-based attacks (facilitated by new information and communication technologies such as social networking) compound the risks relating to the security of persons, property, securities and IT systems.

As a result, despite the numerous preventive and safety measures implemented by the Group and the insurance policies subscribed, the occurrence of such acts cannot be excluded and could adversely affect the Company's ability to continue its activities, as well as its reputation, financial position or results.

Risk management

Due to the nature of its businesses and the scope and diversity of its sites, the Group pays close attention to security issues.

The Chief Security Officer reports to the Chairman and Chief Executive Officer and the Security Department reports functionally to the Group's General Counsel. It is tasked with identifying, preventing and managing risks relating to the security of persons, property, securities and IT systems. The Security Department is also responsible for coordinating warning and crisis management systems. A network of security officers has been set-up in all countries where the Group operates, in order to tailor the management of these risks to specific local conditions.

The primary roles of this department are to avert security threats potentially affecting the Group and its employees and to manage violations possibly impacting employees, tangible and intangible property and securities of the Group in France and abroad. It provides advice and assistance to country managers on security-related issues within the framework of current laws and regulations and is also responsible for coordinating the warning and crisis management systems.

The organization of crisis management at Veolia revolves around two separate but complementary arrangements that come together to deal rapidly and efficiently with any deteriorated or critical situation that the Company or its entities may encounter. The process begins with a warning system that operates 24 hours a day and is deployed across all the Group's locations, designed to move information quickly up the line to the Company's Executive Management on any critical or delicate situation. This process has been updated, primarily to take account of changes in the Group's organizational structure. The warning system is supplemented by a crisis management procedure, and, if the situation is sufficiently critical, operational cells can then be quickly mobilized, bringing together all the necessary functional skills and the departments concerned. Predetermined objective criteria are used to assess the seriousness of the situation. This process is constantly refined on the basis of feedback on and post-crisis evaluations of each of the situations that have been managed.

International security: travel authorization procedure and protection plans

In order to anticipate and guard against international security risks, the Security Department constantly monitors and analyses the international security context in each of the high-risk countries where the Group operates. A classification of high-risk areas is prepared each month and distributed throughout the Group. A travel authorization procedure has also been implemented for high-risk countries. This procedure involves the case-by-case examination by the Security Department of all travel requests to those countries considered as presenting the highest levels of risk. Each travel authorization is accompanied by specific security guidelines tailored to the risks associated with the country or countries in question and the traveler's profile. In 2018, more than 3,000 travel authorizations were submitted to the Security Department.

The Group developed a mandatory e-learning module for employees due to travel to high-risk countries in order to deliver specific training and inform them about security risks as well as prevention and protection rules and behavior to be observed during travel to these countries. In addition, a specific training module was developed for extended trips and expatriates. Group training sessions can also be provided in line with the specific needs of teams.

Security plans are drawn-up for the most sensitive countries where the Group operates, to facilitate the reactivity of the Group in the event of a crisis. In addition, a security officer has been identified in each of these countries. This individual acts as the Security Department's local representative and is the preferred point of contact for the country's diplomatic authorities.

Information systems security

An information systems security organization (ISS, cybersecurity) was set up in 2013 and updated 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 monthly, 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) was launched in 2013 and is reviewed annually, with the most recent review completed in September 2017. The ISSP defines the objectives, missions and organization of Information Systems Security (ISS), details the approach based on specific Veolia risks and describes the cybersecurity mechanisms designed to limit the occurrence or impact of cyber risks within Veolia.

These concern:

- data protection;
- the management of IT system users;
- the protection of IT infrastructure;
- the protection of IT applications;
- specific recommendations for industrial systems;
- IT continuity plans and incident and cyber crisis management;
- audits and control measures and the corresponding operating reports.

The ISSP is implemented in all Veolia entities under the oversight of the Information Systems Security Officer. Audits are performed in the main entities and on the most exposed systems to control application and the resulting actions plans are presented to and monitored by the cybersecurity steering committee.

Promoting user awareness is also an important line of action for the ISSP. This is carried out by means of IT charters, distributing information on best information cybersecurity practices and specific actions targeting the various communities exposed to specific risks such as accountants, CFOs, treasury managers etc.

5.2.2.3 Risks relating to changes in the Group's business activities

Risk identification

Veolia carries out financial transactions impacting its business scope, whose impact on business and earnings could be less favorable than expected or detrimental to its financial position.

Changes in the scope of the Group's business activities are presented in Chapter 3, Section 3.1.2 above.

Following the sale to Caisse des Dépôts et Consignation of a 20% stake in the share capital of Transdev Group, Veolia Environnement signed a draft agreement with the German group, Rethmann, on October 2, 2018, for the sale of its residual 30% stake for a consideration of €340 million. After presentation of the agreement to Transdev's employee representative bodies and its approval by the relevant authorities, the transaction was closed on January 9, 2019. It marks the end of the Group's withdrawal process from the Transport business.

Veolia did not perform any material acquisitions in 2018, but did perform a number of small and medium-sized acquisitions. The main transaction was the May 2018 acquisition of Grupo Sala in Colombia, a group of companies specializing in Waste and Water businesses in Bogota, for a financial investment of €168 million.

Veolia may continue to carry out external growth operations, in any legal form whatsoever, particularly by means of business or company acquisitions, or mergers of varying size, some of which could, once again, be significant at Group level.

These external growth operations generate numerous risks, such as:

- macroeconomic conditions may change between the date of valuation and the date of integration;
- the business plan assumptions supporting the valuations may not be confirmed, in particular with respect to synergies and expected commercial demand;
- Veolia may fail to successfully integrate the acquired or merged companies and their technologies, products and personnel;
- Veolia may fail to retain key employees, clients and suppliers of the companies acquired;
- Veolia may be required or wish to terminate pre-existing contractual relationships under costly or detrimental financial terms and conditions;
- Veolia may be forced to sell off businesses or limit the growth of certain businesses so as to obtain the necessary authorizations for carrying out these operations, particularly with regard to antitrust legislation.

As a result, the expected benefits of completed or future acquisitions or other external growth operations may not be realized within the time periods or to the extent anticipated, or may impact the Group's financial position.

Risk management

The Group implements an investment control policy and is selective in its strategic growth choices.

Projects for organic growth, acquisitions and divestitures studied by the Group bring together multi-disciplinary teams. They are also subject to review and approval by the Investment Committees. There are three complementary committee levels: Business Unit, zone and Group. Projects involving either internal growth transactions or company acquisitions are subject to systematic, comprehensive review (strategic, technical, operational, financial, legal, human resources, ethical, etc.) in which all risks are analyzed and assessed. The focus is on residual risks after any specific actions taken and notably, financial, contractual, technical and compliance measures reducing the projects' risk profile. Financial profitability and minimum return criteria, widely known and used throughout Veolia, are applied. Expected returns are naturally considered in relation to the risks incurred.

5.2.2.4 Risks related to human resources management

Risk identification

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. Veolia's performance partly depends on its ability to attract and retain talent and manage the risks associated with the availability of the expertise it requires. Finally, social cohesion and stability, respect for diversity and equal opportunities and the fight against discrimination are all very important to the Group.

The prevention of health and safety risk in the workplace is an ongoing priority. Veolia is committed to ensuring the physical and psychological integrity of its employees.

The management of employee health and safety is particularly important, considering the labor-intensive requirements of the Group's businesses, their nature, the wide geographic spread of Veolia's employees in the field (in particular, on public roads and at client sites), as well as difficult working conditions. Despite the Group's particular focus on this issue (see Chapter 6, Section 6.4 below), an increase in injury frequency and severity rates and a surge in occupational diseases remains a risk.

In addition, the Group conducts a range of businesses, requiring a variety of constantly changing skills. These changes and the Group's growth outside France demand new knowhow and employee mobility. Accordingly, the need to constantly seek out new profiles and train staff in new techniques exposes the Group to risk if it is unable to harness in a timely manner the skills required at its locations.

Group company labor relations could deteriorate, thereby hindering productivity and the Group's performance. The Group cannot rule out the occurrence of labor disputes (strikes, slowdowns, blocking access to sites or the destruction of property in extreme cases) that could disrupt business over a significant period of time.

Risk management

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, subcontractors or third-parties present on its sites while protecting clients and communities served by the Group is an absolute priority. Veolia is particularly vigilant about skills developments and social dialogue, as it contributes to greater workforce cohesion and implements human resources policies to enhance the Group's economic and social performance.

Given the nature of its operations and aware that solid performance in workplace health and safety is synonymous with increased performance for the Company, Veolia has made prevention, health and safety a daily priority in all its activities.

Prevention, health and safety is the focus of significant, constant efforts and the subject of a commitment by the Chairman and Chief Executive Officer, renewed in June 2018. The approach to professional risk prevention is based on the involvement of all managerial levels as well as a continuous improvement system allowing the Company to honor its commitments, achieve its objectives and implement the ideas enshrined in the prevention, health and safety in the workplace policy. Veolia also asks suppliers to take the necessary steps to guarantee the health, safety and well-being of their employees.

Implementation of Veolia's prevention, health and safety management system provides for the effective management of health and safety issues across all of the Group's entities. This system is founded on five pillars presented in Chapter 6, Section 6.4.3.1 below. The Group's prevention, health and safety policy led to the set-up of a center of excellence devoted to these areas, which prepares, coordinates and assesses the performance of relevant operational and forward-looking projects (see Chapter 6, Section 6.4.3.1 below). In addition, efforts to increase European trade union involvement in the Group's prevention, health and safety policy are supported by a "Letter of Commitment" signed by management and employee representatives in 2012. This commitment ensures the consistency of field initiatives in each European country where Veolia operates. The structural themes of this joint commitment include systematic accident analysis, reinforcement of prevention in occupational health and improved communication with employees on health and safety topics. Finally, the quarterly monitoring of "near-misses" has been rolled out across all entities, enabling entity performance to be monitored and corrective measures to be implemented. Given the aging of the working population and the rapid development of technologies and working methods, Veolia has enhanced its forecasting capabilities with regard to skills management.

An agreement was 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. In addition, the Human Resources Development Department defines and promotes policies on mobility and career management, as well as sourcing and managing talent across all of the Group's operations. Finally, this skills management is made operational through the work of the campuses, which propose a diverse offering that is constantly adapted to the Group businesses (for further details on the training policy see Chapter 6, Section 6.4.4 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 undertaken with respect to gender mix and internationalization serve to strengthen the loyalty and professionalism of Group talents (see Chapter 6, Section 6.4.4 below).

In addition, Veolia has set itself the challenge of making labor relations one of the major factors of cohesion and economic and social performance. Veolia's labor relations model aims first and foremost to create and maintain a relationship built on trust with its employees and their representatives *via* a policy focusing on fair and consistent compensation, promotion within the Company, training, career and skills management that facilitates job progression and *via* constant enhancement of its health, safety and accident prevention policy.

The Group has formalized these commitments in Group France agreements signed with representative trade unions:

- an agreement on the prevention of professional risks and workplace health and safety signed in December 2008;
- a letter of commitment signed by Executive Management and the Group's European Works Council on prevention, health and safety;
- an agreement on the quality and the development of labor relations signed in 2010;
- an agreement on the Group's strategic directions and their social impacts signed in 2015 and an agreement on the forward management of jobs and skills (GPEC) signed in 2017;
- an agreement to review the set-up of a Group retirement savings plan (PERCO) signed in 2016;
- an agreement on the generation contract for the Group in France signed on November 15, 2017.

These agreements are fleshed out and supplemented by over 900 local collective bargaining agreements signed by the Group's entities around the world. The two agreements appointing the Group French and European Works Councils were amended in 2015 to take into account the change in the Group's scope and the experience gained from the previous agreement in order to bolster and modernize labor-management relations in France and in Europe. Since 2011, the European Works Council has initiated exchanges with Veolia's management on sustainable development and CSR. In this respect, CSR performance indicators were developed in 2016 with the European Works Council (see Chapter 6, Section 6.4.5.2.1 below). In February 2010, the Group signed an agreement on the quality and the development of relations with all trade unions representing employees, with a view to improving labor relations. Action and training plans are defined for stakeholders in labor relations and have been implemented since 2010.

In 2015, an agreement on procedures for exchanging views on strategic directions within employee representation bodies was signed by representatives of the Group French and European Works Councils. Supporting employees during this period of change underlines the Group's desire to ensure their employability and promote internal mobility (see Chapter 6, Section 6.4.3 below). This commitment resulted in the signature of a Group-wide agreement on the forward management of jobs and skills in 2017.

As part of its sustainable development commitments, the Group monitors the rate of coverage of Group employees by a social dialogue organization, as well as the number of agreements within the Group and the issues covered.

5.2.2.5 Risks relating to major project design and construction activities

Risk identification

The Group carries out turnkey design-build contracts, which are remunerated on a non-revisable fixed-price basis. Earnings are often conditional on meeting performance objectives, and failure to achieve these objectives triggers penalties.

The risks to which the Group is exposed under this type of contract are generally technical (design and choice of appropriate, proven technology), operational (site management during the performance, acceptance and warranty phases or ability to use technology, potentially imposed by the client) and economic (volatility of commodity prices, foreign exchange rates or consumables).

These risks are generally covered by contract. Veolia may, however, encounter difficulties over which it has no control, *e.g.* relating to the complexity of certain infrastructures, climate or economic risks or uncertainties in construction, the purchasing and ordering of equipment and supplies of consumables, or changes in performance schedules for certain contracts. In certain cases also, the Group must integrate existing information or studies provided by the client that may prove inaccurate or inconsistent, or may be required to use existing infrastructures with poorly adapted operating characteristics.

These difficulties and hazards may result in non-compliance with contractual performance measures, additional expense, lost revenue and/or the application of contractual penalties that could negatively affect the Group's financial position, results or outlook. In addition, the Company and its subsidiaries generally make use of sub-contractors and suppliers in the performance of their contracts. While these subcontractors and suppliers are subject to a selection process and credit review, their failure could generate delays and significant additional costs without the ability to recover all costs incurred.

Risk management

Veolia implements preventive and project monitoring actions to mitigate risks relating to major project design and construction activities.

The set-up of Investment Committees allows the Group to ensure that all aspects of these projects are assessed and analyzed. Systematic, multi-disciplinary reviews and assessments related to project risks (strategic, technical, operational, financial, legal, human resources, ethical, etc.). Close attention is paid to the selection and monitoring of clients and partners.

The professionalism and appropriate size of implementation teams and the experience and involvement of managers, also ensures the monitoring of the main operational risks. In addition, training programs for project managers and developers raise awareness of the importance of risk management in projects.

Furthermore, the implementation of contractual review and prevention measures mitigates part of these risks, through, for example, compensation mechanisms. Insurance policies compensate insured claims and also help improve prevention.

Certain projects are audited to verify that financial commitments are met, identify the main risks and contractual commitments, draft recommendations to improve performance and take account of feedback.

5.2.3 FINANCIAL RISKS

5.2.3.1 Market risks

Risk identification

The market risks set-out below comprise interest rate risks, foreign exchange risks, risks inherent to fluctuations in the price of energy, consumables and commodities and counterparty risks.

- **Interest rate and foreign exchange risks:**

  The Group is exposed to these risks in its operational and financial activities. Interest rate and foreign exchange fluctuations can impact the Group's results. The Group companies hold assets, contract debts, earn income and incur expenses in a variety of currencies.

  The Group presents its financial statements in euros and must translate certain of its assets, liabilities, income and expense items into euros at the applicable exchange rates. Consequently, fluctuations in the exchange rate of other currencies against the euro can affect the value of these items in the financial statements, even if their intrinsic value is unchanged in the original currency. An increase in the value of the euro may therefore result in a decrease in the reported value, in euros, of the Company's investments held in foreign currencies. These fluctuations in interest rates may also affect Veolia's future growth and investment strategies since a rise in interest rates may force the Group to refinance acquisitions or investments at a higher cost.

- **Risks inherent to fluctuations in the price of energy and commodities:**

  Energy, commodity and consumable purchases represent a major operating expense for the Group's businesses, in particular diesel for waste collection, coal and gas for the supply of energy services, and electricity for water treatment and distribution. The Group is therefore exposed to fluctuations in their price.

Group contracts generally contain indexing mechanisms. However, these mechanisms do not always enable the resulting costs to be covered (existence of a time lag between price increases and the moment the Group is authorized to increase its prices to cover its additional costs or an inappropriate update formula given the cost structure, including taxes). Any steady increase in purchase prices and/or taxes could, by increasing costs and reducing profitability, undermine the Group operations, insofar as it would be unable to increase its prices sufficiently to cover such additional costs.

Sorting-recycling and trading businesses are particularly sensitive to fluctuations in the price of secondary raw materials (paper, ferrous and non-ferrous metal), and a significant long-term decline in the price of these secondary raw materials, potentially combined with the impact of the economic environment on volumes, could hinder the Group's operating performance. Group activities also include the production of electricity in Germany, the United States, the United Kingdom and Central Europe. A significant portion of these sales concerns "unavoidable" energy production, co-generated with heat. The Group is also exposed to price volatility in the electricity market and price changes imposed by the regulator, in countries where the price of electricity is regulated. A significant long-term decline in the market price of electricity in these countries could therefore impact the Group's operating performance.

- **Counterparty risks:**

In the course of its activities, the Group is exposed to the risks of default by its counterparties (clients, suppliers, partners, intermediaries, banks, etc.). Counterparty risk is the risk that an entity is unable to respect its financial commitments (debt repayment, honoring a guarantee, offsetting under a derivative transaction, etc.).

Counterparty risk for subsidiaries is limited to local deposits, settlement and account keeping banking activities, signature commitments and the continuation of confirmed credit facilities obtained from banks. Veolia counterparty risk is mainly associated with cash investments and positive market values on derivatives. Management rules require cash surpluses to be invested with managers of monetary UCITS, and short-term notes and deposits in leading banks and financial institutions (banks or financial institutions with minimum credit ratings awarded by Moody's, Standard & Poor's or Fitch of A3/P3/F3 (short-term) and A2/A/A (long-term), unless an exception is justified).

Risk management

The Group uses derivatives to manage and reduce its exposure to fluctuations in interest rates, exchange rates and commodity prices. The risk of counterparty default is assessed by changes in creditworthiness.

- **Interest rate and foreign exchange risks:**

To avoid having to bear all of the risk, such as interest rate risk and foreign exchange risk, the Group implemented management guidelines covering these uncertainties to ensure better risk control. The Veolia Environnement Financing and Treasury Department is directly responsible for implementing and monitoring these hedges. It helps subsidiaries and their teams to identify and hedge exposure in different countries. This department relies notably on a cash management system designed to constantly monitor the principal liquidity indicators and all major financial instruments (interest rate/foreign exchange).

The Middle and Back Office teams in the Finance Department check transactions and monitor limits, ensuring the security of transactions processed. Reports are produced daily, weekly and monthly, enabling the Company's Executive Management to stay abreast of market trends and their effect on the Group's liquidity (current and forecast), the value of the Group's derivative portfolio as well as the breakdown of hedging transactions and their impact on the proportion of Group debt at fixed and floating rates.

Foreign exchange risk is linked to the Group's international business conducted outside the euro area, which generates cash flows in numerous currencies. As both income and expenses are usually in the currency of the country where the Group conducts business, the Group's exposure to transaction exchange rate risk from service activities is low. This risk is systematically hedged when it is certain (using currency futures) and on a case-by-case basis when uncertain (using options, generally when tenders are submitted). To manage foreign exchange risk associated with debt and financial receivables in the balance sheet, the Group has implemented a policy that involves backing foreign currency-denominated financing by asset class (debts and receivables), with the aim of financing its subsidiaries in local currency.

The interest rate risk management policy is decided centrally. The Group uses interest rate risk management tools available on the market, including interest rate swaps and options (see Chapter 4, Section 4.1, Note 8.3.1 to the consolidated financial statements above).

For more information regarding foreign exchange risk, see Chapter 4, Section 4.1, Note 8.3.1 to the consolidated financial statements above.

- **Risks inherent to fluctuations in the price of energy and commodities:**

Most of the contracts entered into by the Company and its subsidiaries include clauses aimed at passing on any fluctuations in energy, consumables and secondary raw material prices to the Group's revenue sources, particularly by means of indexation formula. Furthermore, in certain countries and for certain energy sources, the supply of energy may be the subject of long-term supply contracts.

- **Counterparty risks:**

These risks are assessed by changes in creditworthiness. As such, the Group distinguishes between the counterparty risk relating to its operating activities that generate trade receivables, and the counterparty risk relating to investment and hedging activities that give rise to bank borrowings. Counterparty risks on financial transactions are monitored constantly by the Group's middle office.

For more information on the management of risks inherent to fluctuations in the price of energy, commodities and consumables and, in particular, commodity derivatives, as well as risks relating to changes in the creditworthiness of the Group's clients and its financial counterparties, see also Chapter 4, Section 4.1, Note 8.3.3 to the consolidated financial statements above.

5.2.3.2 Liquidity risk

Risk identification

Liquidity risk corresponds to the Group's ability to have enough financial resources to meet its commitments.

The Company's gross liquidity is defined as all available cash and confirmed bank lines. Net liquidity corresponds to gross liquidity less current financing requirements. The Group could be exposed to liquidity risk and not have sufficient financial resources to meet its contractual commitments.

Risk management

The operational management of liquidity and financing is managed by the Financing and Treasury Department.

Major financing and cash surpluses are pooled in a bid to optimize liquidity and cash.

Veolia Environnement has short-and medium-term bilateral credit lines (for a total amount of €925 million) and a multi-currency syndicated loan facility maturing in 2022 (of €3 billion), enabling a reduction in its exposure to liquidity risk (see Chapter 3, Section 3.3.5.2 above).

5.2.3.3 Tax risks

Risk identification

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.

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 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, 2018, 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.

5.2.4 REGULATORY, ETHICAL AND LEGAL RISKS

5.2.4.1 Regulatory risks

Risk identification

Veolia continues to commit the necessary means to comply with its environmental, health and safety obligations and to manage sanitary risks.

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 rules concern water discharges, drinking water quality, waste processing, soil and ground water contamination, the quality of smoke fumes and gas emissions. While regulatory changes offer new market opportunities for the Group's businesses, they also generate a number of risks.

In addition, the risks facing the Group sometimes concern the condition of facilities on acquisition, the fact that the Group is not always responsible for the necessary investment, and clients' varying levels of awareness of such matters.

Failure by clients to meet their compliance obligations could be prejudicial to the Group as operator and adversely affect its reputation and growth capacity. Furthermore, regulatory bodies are authorized to initiate proceedings, which could lead to the suspension or cancellation of permits or authorizations held by the Group or injunctions to suspend or cease certain activities or services. These measures may be accompanied by fines and civil or criminal sanctions, which could have a significant negative impact on the Group's reputation, activities, financial position, results and outlook.

If Veolia is unable to recover this investment or expenditure through higher prices, its operations and profitability could be affected. Environmental laws and regulations are constantly being amended and tightened. These amendments can generate significant compliance expenditure or investment, which cannot always be anticipated, despite the observation systems implemented.

Risk management

In accordance with legal, regulatory and administrative requirements (see Chapter 1, Section 1.6 above), including specific precautionary and preventive obligations, Veolia is constantly required to incur expenditure or invest to bring facilities under its responsibility into compliance.

If it has no investment responsibility, Veolia advises its clients to ensure they undertake the necessary 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.

5.2.4.2 Ethical and non-compliance risks

Risk identification

Actions by employees, corporate officers and external stakeholders who do not comply with the Group's compliance programs, could expose Group companies to civil or criminal penalties and adversely affect their 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. 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.

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). Veolia therefore implements appropriate due diligence to ensure compliance.

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. Third-party assessments are performed at different levels. Internally, they are mainly conducted by the Security Department's research office, through studies, while externally, they are notably conducted with the assistance of a service provider who regularly assesses suppliers.

For information on the management of risks relating to failure to comply with ethical rules and non-compliance, please refer to Section 6.5 below.

5.2.4.3 Legal risks

Risk identification

Contracts

Given the Group's activities, it could be exposed to risks relating to the term of contracts, the rights of public authorities and the implementation of partnerships.

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 client or a fee levied on end users based on an agreed-upon scale. However, certain contractual mechanisms may help in addressing such changes and restoring the initial balance of the contract. The implementation of such mechanisms may be triggered more or less automatically by the occurrence of an event 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. The longer the term of the contracts, the more these constraints on the Company are exacerbated. In all cases, and most particularly with regard to public service management contracts, the actions of the Company and/or subsidiaries must remain within the scope of the contract and ensure continuity of service. Moreover, they cannot unilaterally and suddenly terminate a business activity that they believe to be unprofitable, or change its features, except, under certain circumstances, in the event of obvious misconduct by the client.

The rights of public authorities to unilaterally terminate or amend contracts entered into with the Company and/or its subsidiaries could have a negative impact on its revenue and profits.

Contracts with public authorities generate a significant percentage of the Group's revenue. In numerous countries, including France, public authorities may unilaterally amend or terminate contracts under certain circumstances provided that they compensate the other party to the contract. This may not be true in all cases, however, and the Company and/or its subsidiaries, despite their best efforts, may not be able to obtain full compensation should the relevant public authority unilaterally terminate a contract.

The Group may be required to conduct its activities in France and abroad through **partnerships** with public authorities or private players. These partnerships offer a means of sharing the economic and financial risks associated with certain major projects or activities. While the partial loss of operational control granted in return for reduced capital exposure is managed contractually, changes in the project or activity concerned or the economic or political context, or a downturn in the economic position of the partner(s) could lead to conflict between the partners and in certain cases the termination of the partnership. These situations, tied to the poor performance of a partnership, could have a significant impact on the Group's business activities, financial position, results or outlook.

Litigation

In the ordinary course of its activities, the Company and/or its subsidiaries are or may be involved in litigation, arbitration procedures and inquiries. The most significant litigation proceedings involving the Company or its subsidiaries are described in Chapter 4, Note 12 to the consolidated financial statements above and Chapter 8, Section 8.2 below.

Risk management

Veolia places great importance on the management of legal risks given the nature of its business, that of environmental services, an area subject to increasingly complex regulation.

The Veolia Environnement Legal and Compliance Departments ensure 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 these two departments to adopt legal compliance rules to guide employees in their activities and in the preparation of legal documents and to ensure compliance with such rules.

In particular, these rules cover the Group's legal structure and notably the delegation of powers and monitoring thereof, and the selection of corporate officers. They also cover the reporting of major litigation (litigation and dispute reporting procedure) and significant operating contracts, compliance with antitrust law, ethics, standard contractual clauses, sponsorship and patronage, managing relations with commercial intermediaries, conflicts of interest, and activities in sensitive countries (see Chapter 6, Section 6.5.4.5 below). They are accompanied by information, awareness raising and training initiatives (see Chapter 6, Section 6.5.2.3.4 below).

As a Company with shares listed on the Paris Stock Exchange, Veolia Environnement is required to comply with rules governing:

- periodic and permanent market reporting: a Disclosure Committee supervises and controls the collection and communication of information regarding the Company's Registration Document (see Section 5.1.7 above);
- corporate governance: particularly with regard to the make-up and activities of the Board of Directors and its Committees, relations between these entities and Executive Management, the provision of information to shareholders and the proper application of regulations and Codes applicable to listed companies (see Chapter 7 below);
- insider training (see Chapter 6, Section 6.5.4.4 below).

5.3 Ethics and compliance

Present in 54 countries[1] around the world, the Group is particularly attentive to compliance with values and rules of conduct relating to human and social rights set forth in international laws and treaties.

These values and rules of conduct take into account the Group's cultural diversity and are also in keeping with its commitment to protecting the environment. In addition, the Company makes every effort to promote these values and rules of conduct among all of its stakeholders.

The Group has also implemented compliance programs aimed at preventing legal and reputation risks through complying with standards applicable to the Company.

5.3.1 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-wide 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. This system supplements the whistleblowing reporting levels implemented in the Business Units.

Designed as a reference document for the behavior of all Group employees at all management levels and in all countries where the Group operates, it is supplemented by an appendix containing the anti-corruption code of conduct.

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

The Ethics Guide set outs out the Group's core values and the resulting rules of conduct that form the foundation of the Group's economic, social and environmental performance:

- **responsibility:** the Group is committed to promoting the harmonious development of territories and improving the living conditions of populations affected by its activities from a public interest perspective, as well as internally, by developing employee skills and improving occupational health and safety;
- **solidarity:** as the Group serves collective and shared interests through its business activities, this value applies to relationships entered into with all stakeholders. Concretely, it involves developing solutions enabling the supply of essential services for everyone and compliance with a 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 clients, the environment and society;
- **client focus:** seek ever greater efficiency and quality in our services, listen to clients and strive to fulfill their technical, economic, environmental and societal expectations through our capacity to provide appropriate and innovative solutions.

5.3.2 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 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 alert process for whistleblowers, in force since January 15, 2019 and based on a secure platform enabling whistleblowers to report in the language of their choice. An information campaign informed employees of the launch of this tool and was rolled out in all zones by the internal communications departments.

Third parties, external service providers, suppliers, sub-contractors and Group clients can also refer by telephone (+33 1 85 57 76 76) or email (ethique.ve@veolia.com) any matters within its remit to the Ethics Committee and in particular any actions considered to represent corruption or influence peddling.

Employees and third parties may remain anonymous if they wish.

The Ethics Committee will assess the basis of alerts and will safeguard the rights and interests, not only of the "whistleblowers" but also of the accused parties (in the event that it is not for cause). The Committee communicates reports that appear within its remit to the Compliance Department and particularly issues covered by the Sapin II Law. It investigate the other reports directly or with the assistance of country ethical whistleblower officers.

In 2018, the Ethics Committee reported on its work during the previous year, as it does annually, to the Audit and Accounts Committee and the Executive Committee. From 2019, the Ethics Committee will report annually on its activities to the Veolia Environnement Board of Directors and the Management Committee.

5.3.3 COMPLIANCE PROGRAMS

For information on the compliance programs, please refer to Chapter 6, Section 6.5 below.

6

CORPORATE SOCIAL RESPONSIBILITY AFR

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

Veolia is both a local and global business in a highly labor intensive and technical industry, whose ambition is *Resourcing the world*. Its actions improve the environmental footprint of its customers and create value for the regions where it operates.

Veolia also wants to make the organization a working community where each person takes pride in their work and benefits from personal development, in addition to earning an income. Employee health and safety is an absolute priority and it ensures that everyone is involved in the Company's collective project.

Veolia wants to respond to the growing expectations to create social value, in addition to economic value, and demonstrate its benefit for all stakeholders, which is vital for its prosperity and sustainability. It aims to provide adapted and efficient responses to the Company's wider responsibility, throughout its entire value chain, notably in terms of environmental and social responsibility and human rights.

As part of this, Veolia has made ethics and transparency a crucial element at all levels of its organization.

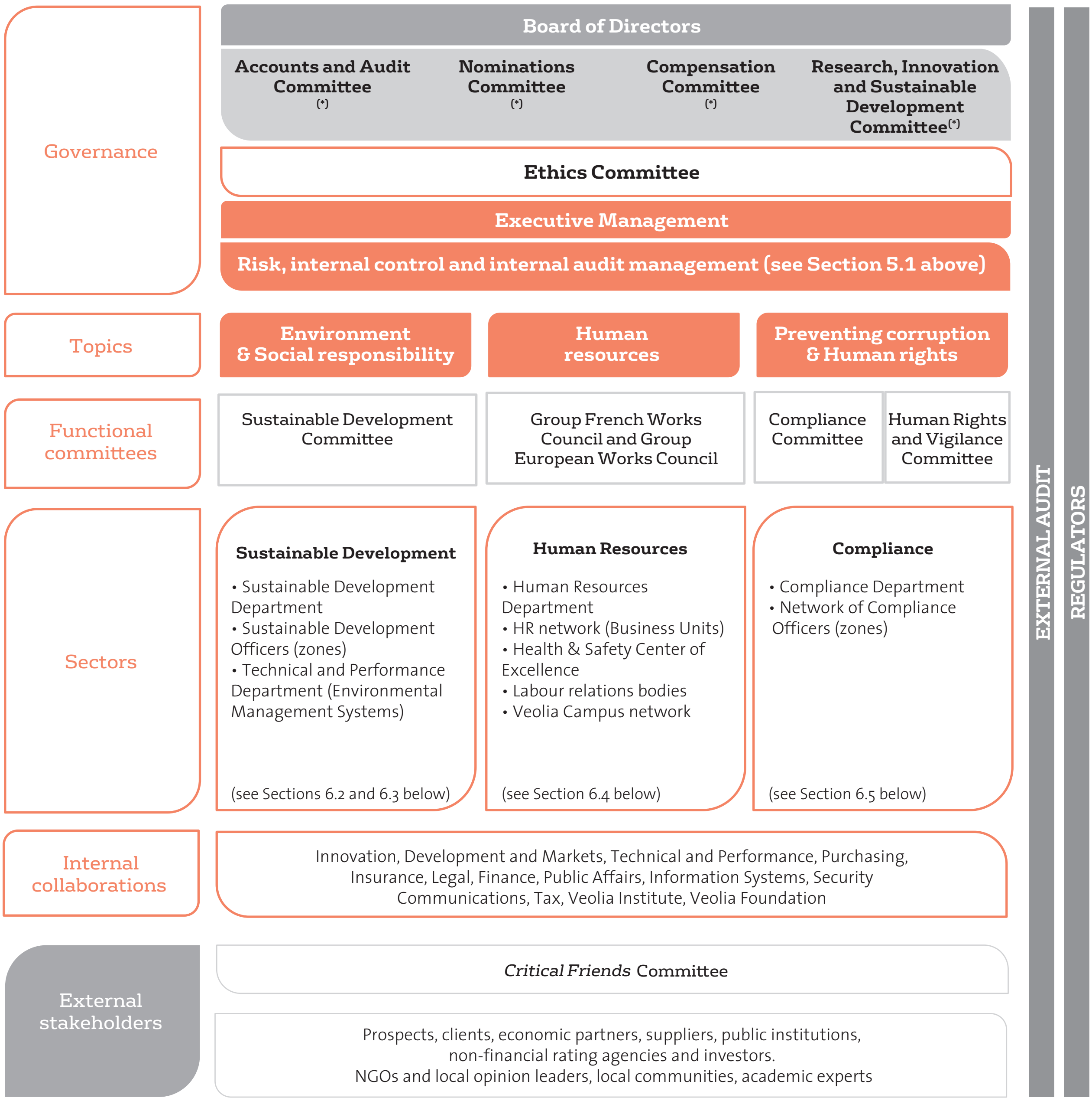
The Veolia CSR policy is part of its strategy, its economic model and its sustainability. It uses the United Nations Sustainable Development Goals (SDGs) as a reference and its nine sustainable development commitments (see Section 6.1 below) – three for the planet (see Section 6.2 below), three for the 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) as steering tools.

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 the 2018 fiscal year, 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 9 commitments in three areas:

- **resourcing the planet** (see Section 6.2 below), because these water, waste and energy management solutions help improve its clients' 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 2020, each of which are sponsored by a member of the Executive Committee.

Commitments	2020 Objective	2018 Results
Resourcing the planet		
1 Sustainably manage natural resources by encouraging the circular economy	• Generate more than €3.8 billion in revenue in the circular economy	• €4.8 billion
2 Contribute to combating climate change	• Achieve 100 million metric tons of CO_2 equivalent of reduced emissions over the 2015-2020 period	• 63 million metric tons
	• Achieve 50 million metric tons of CO_2 equivalent of avoided emissions over the 2015-2020 period	• 24 million metric tons
	• Capture over 60% of methane from managed landfills	• 57.7% (√)
3 Protect and restore biodiversity	• Carry out a diagnosis and deploy an action plan at 100% of sites with significant biodiversity issues	• 60%
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%	• 85.7%[(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: 9.6 million - to sanitation: 4.4 million
For the Company's men and women		
7 Guarantee a safe and healthy work environment	• Achieve an injury frequency rate of less than or equal to 6.5	• 8.47 (√)
8 Encourage each employee's professional development and commitment	• Deliver training to over 75% of employees annually	• 77% (√)
	• Maintain the manager commitment rate at over 80%	• 86%
9 Guarantee that diversity and fundamental human and social rights are respected within the Company	• Ensure over 95% of employees have access to a social dialogue mechanism	• 89% (√)

(1) Calculated over the main geographic zones representing 73.5% of Group revenue.
(2) In countries with poor access (see Section 6.3.4.3.1 below).

These commitments to sustainable development supplement the Group's voluntary adherence to the United Nations Global Compact, which it signed in June 2003. In so doing, it has committed to supporting and promoting the Global Compact's 10 principles on human rights, labor law, the environment and the fight against corruption. The practical principles adopted by Veolia are also consistent with various international reference texts, such as the Universal Declaration of Human Rights and its additional covenants and the Organization for Economic Co-operation and Development's guidelines for multinational enterprises.

Veolia's commitments to sustainable development apply to all of its activities and all of its employees, in all of the countries where it operates. They are supported at the highest level of the organization and their oversight is the responsibility of various governance bodies, while implementation roll-out is managed at operational level:

- **the Sustainable Development Committee** brings together all internal stakeholders involved in implementing these commitments. It is responsible for coordinating and conducting the initiatives. The Committee is chaired by the General Counsel and run by the Sustainable Development Department;
- **the Executive Committee** assesses progress on these commitments annually and monitors the achievement of the 2020 objectives using 12 key indicators accompanied by action plans;
- **the Research, Innovation and Sustainable Development Committee,** one of the four Board Committees, monitors the Group's social and environmental performance each year and ensures compliance with Veolia's sustainable development commitments.

6.1.2 CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

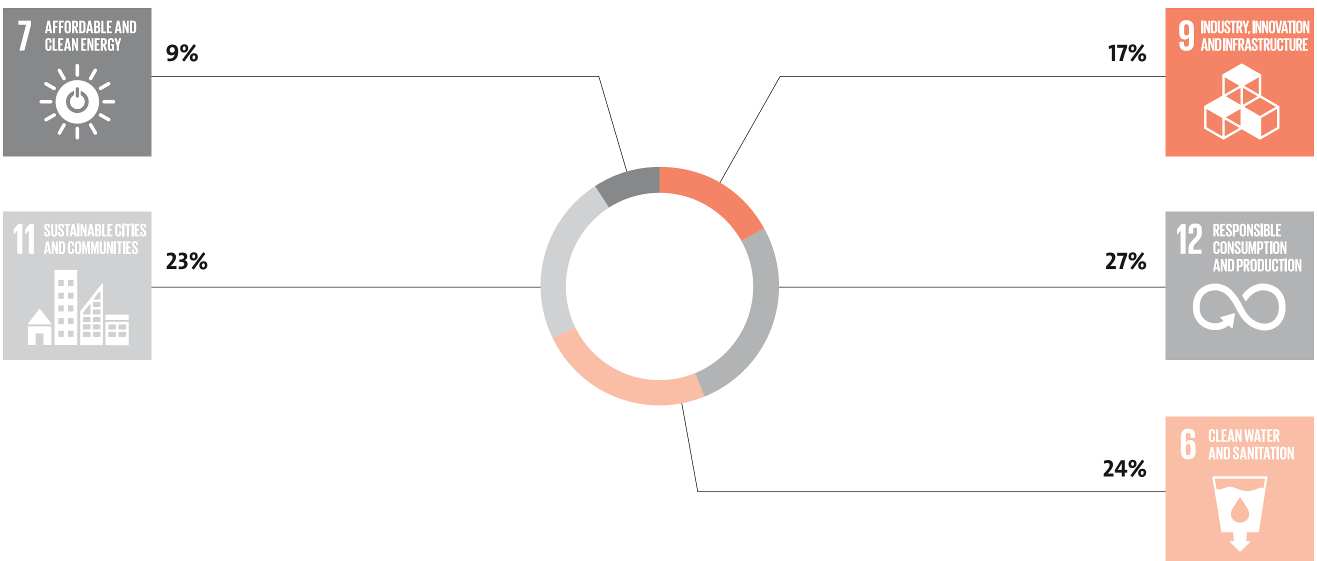
Between 2000 and 2015, Veolia was a major contributor to the United Nations Millennium Development Goals (MDGs) for access to water and wastewater services (see Section 6.3.4.3.1 below). It remains active to ensure the United Nations Sustainable Development Goals (SDGs) adopted in 2015 are attained.

A study was carried out in 2017 to clarify its contribution and to better identify the most relevant SDGs with regards to its activities and its commitments to sustainable development. This analysis aimed to provide an initial overview of the way that Veolia activities can help attain the SDGs. It was specifically based on consulting internal and external stakeholders. 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.

Data gathered by the analysis indicates a significant contribution to five "core business" SDGs:

- in its traditional activities: Veolia is a major player in the management of water and wastewater services (SDG 6), energy services (SDG 7) and sustainable cities (SDG 11), through its waste management activities;
- in its growth activities: Veolia promotes innovative industrial production methods (SDG 9) and responsible consumption (SDG 12) through the circular economy.

Contribution of Veolia's activities to the five main SDGs (based on 2016 revenue)



The Group's ability to innovate (SDG 9) and form partnerships (SDG 17) are two key dimensions that appeal to stakeholders seeking to contribute to attaining the SDGs, particularly in the fight against climate change (SDG 13).

Veolia allocated its 2016 revenue to the five "core business" SDGs, studying the contribution of its businesses to each of the associated targets. This study highlighted a direct link between the Group's operating performance and its ability to respond to the international community's objectives.

The targets and indicators associated with SDG 13 (climate action) mainly seek to mobilize States and focus less on actions by non-governmental bodies. This SDG was not therefore included in the revenue contribution analysis despite Veolia's daily commitment to meet climate challenges (see Section 6.2.3 below), as well as other SDGs such as preserving biodiversity (see Section 6.2.4 below) and improving health (see Section 6.3.4 below).

Moreover, since 2017, Veolia has participated in the High Level Political Forum organized by the United Nations to take stock of implementation of the 2030 Agenda at a global level (see Section 6.3.2.3.1 below).

Supporting promotion of the SDG and reinforcing a common understanding

In order to help promote understanding and adoption of the SDG, the Veolia Foundation supported the creation of a MOOC (Massive Open Online Course) dedicated to the SDG. Launched in September 2018 by the Virtual Environment and Development University (UVED), it helps people understand the 17 SDG and how they interact with each other. The objective was also to discover tools to better take the SDG into account on a daily basis, to offer ideas to implement positive actions, or to promote examples of initiatives and experiences already in place. Veolia shared its feedback regarding adoption of the SDG by a company. 13,248 learners from 114 countries followed some fifty courses provided over six weeks, which is a record number of participants.

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 Sustainability Yearbook 2018 in the "Gold Class" category.
Veolia Environnement's climate performance received an A- rating for CDP Climate change and CDP supply chain. It is also included in the Euronext Low carbon Europe 100 index.
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 reconfirmed 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. In 2015, the Group introduced a new shared system to be used by all of its entities. This system identifies the most significant environmental impacts by activity and highlights the operational and environmental performance of its entities for the major challenges such as energy efficiency, raw material consumption, emissions, etc. It is designed based on a continuous improvement approach, with an annual review to define improvement objectives and integrate risk management.

This common platform is reinforced by locally implemented environmental management systems subject to external recognition (ISO 14001 and ISO 50001 certifications, labels, compliance with contractual commitments, etc.).

6.2.1.3 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.
Internal Audit Department	It is responsible for verifying the correct deployment of the Environmental Management System and its application by the operating managers.
Risk Department and Risk Committee	The Risk Department is responsible for coordinating the identification, assessment and control of Group risks, particularly environmental risks. It works with a Risk Committee that brings together the members of the Executive Committee and is chaired by the Company's General Counsel and run by the Director of Risk Management, Insurance and Compliance. 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
ISO 14001 certifications *(% of revenue covered)*	67%	67%	68%	67%	68%
ISO 9001 certifications *(% of revenue covered)*	77%	75%	71%	71%	70%
ISO 50001 certifications *(% of revenue covered)*	7%	20%	28%	32%	32%

6.2.1.4 Environmental Objectives 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.

The 2016-2018 plan was prepared based on a materiality analysis of the Group's environmental challenges and its strategic and performance plans, both of which were determined on a three-year basis (2018). The selected indicators and defined objectives take into account Veolia's strategic, operational, commercial and environmental issues. In 2018, the Group decided to extend its strategic plan by one year. As a result, the environmental plan has also been extended by one year, to the end of 2019. This plan includes forty objectives. The main objectives are presented in this Section 6.2.

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 €1,811 million in 2018 (see Chapter 3, Section 3.3.2.1 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 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 €662.8 million in 2018.

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 (see Section 6.2.3 *below*) and their water footprint in accordance with ISO 14046 (*see Section 6.2.2.3.2* below) and assesses their impact on biodiversity (see Section 6.2.4 *below*). It is available on the Group's intranet and covers Veolia's three business lines: Water, Waste and Energy.

6.2.1.6 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 2018), 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

Due to its business activities, Veolia is generally exposed to health and environmental risks (see Chapter 5, Section 5.2.2.1 below). By operating its own facilities and those of its clients, Veolia consumes water, energy and raw materials, generates waste and residual contamination and occupies space.

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 responds to challenges linked to the protection of natural resources through specific offers, notably: water treatment, processing waste and "complex contamination", waste and wastewater energy and product recovery, protecting water resources and industrial ecology.

6.2.2.2 Policy and commitments

As part of its sustainable development commitments (see Section 6.1 above), Veolia has made commitment no. 1 *Sustainably manage natural resources by encouraging the circular economy* and it has set a circular economy revenue target of over €3.8 billion by 2020.

This commitment relates to:

- 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);
- development of the circular economy (see Section 6.2.2.3.1 below).

Ms. Estelle Brachlianoff, Chief Operating Officer, sponsors this commitment at the Executive Committee.

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, solid recovered fuels, etc.);
- producing renewable and alternative energy from waste, recovering unavoidable energy and recovering wastewater as heat or biogas;
- reusing water;
- pooling multi-client sites (industrial ecology, biomass heating network).

At the end of 2017, the Group contributed to the French government's proposal to define a circular economy road map for France, through multi-party bodies and professional federations in the waste sector. The Group also joined the World Business Council for Sustainable Development (WBCSD) circular economy program, Factor10, which aims to encourage conditions contributing to a more sustainable global economy and contributes to the working groups on plastic, regulation and circularity measurement indicators.

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 to pursue the **Ellen MacArthur Foundation**'s "New plastics economy" initiative, that recently launched a Global Commitment with 250 organizations and countries to eliminate plastic waste pollutions at source. Moreover, in 2018, Veolia joined the Alliance to End Plastic Waste (AEPW) along with 30 companies which are going to invest US$1.5 billion over the next five years for plastic waste reduction, collection and recycling.

In 2018, the Group contributed to the debate on the proposed EU Directive on single-use plastics, notably through multi-player organizations and professional federations in the waste sector, as well as French debates on plastic recycling.

Veolia has also entered into partnerships with companies in order to act from the design phase and improve the recyclability of products and the use of so-called secondary raw materials.

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. The fibers recovered from recycling are transformed into high-quality paper paste, which is reused as boxes, paper towels and serviettes. However, it will be possible to convert the polymer and aluminum mix extracted from the paper paste manufacturing process into raw materials for the plastic industry, allowing it to produce boxes and pallets. The overall value of used food packagings should double, which will help to optimize and sustain the packaging collection and recycling value chain over time.

In 2018, Veolia entered into a three-year partnership with **Unilever** to work on emerging technologies in plastic and develop the recyclable materials collection and treatment infrastructure, which plays a critical role in the transition to a circular economy. Starting in India and Indonesia, the two groups will work on the implementation of used packaging collection solutions, increasing recycling capacity and developing new economic processes and models.

Veolia is also involved in the **STOP project**, co-created by the company SYSTEMIQ and the plastic manufacturer Borealis. Deployed in early 2018 in Muncar, Indonesia, it aims to implement a genuine waste management ecosystem in collaboration with the public authority and with the assistance of international experts. This should help increase plastic recycling, composting of organic waste, reducing the quantity of waste in the ocean and creating social and economic benefits for local people. This project should continue in 2019 with new partnerships in other Indonesian towns.

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 has set a circular economy revenue target of over €3.8 billion by 2020[1]. This revenue totaled €4.8 billion in 2018.

The 2020 objective was therefore exceeded in 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	2020 objective
Circular economy revenue	3.5	3.8	4.4	4.8	3.8

(1) Estimated value.
(2) The 2016 figure published in the 2016 Registration Document was an estimate based on forecast revenue in the Group's growth plan. The 2016 figure published in this Registration Document was recalculated based on actual 2016 revenue in the financial statements.

6.2.2.3.2 Save water resources

Challenges

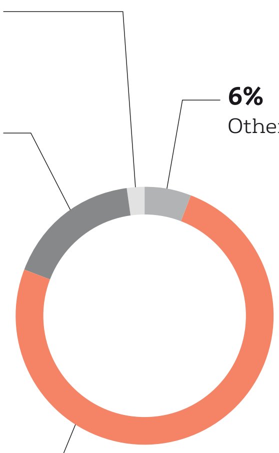
In 2018, Veolia abstracted 9.8 billion m³ of water, mainly for its drinking water distribution and production activity (92% of abstracted volume). Through its contracts with public authorities, Veolia produced 8.3 billion m³ of drinking water in 3,603 production plants. It operated 314,928 km of pipelines, supplying 9 billion m³ of water into supply networks.

Changes to water abstraction, drinking water produced and supplied to the networks

	2014	2015	2016	2017	2018
Total volume of water abstracted *(billions of m³)*[1]	9.789	9.859	9.813	10.011	9.829
Volume of drinking water produced for public authorities *(billions of m³)*	8.7	8.7	8.5	8.5	8.3
Volume of drinking water introduced into supply networks for public authorities *(billions of m³)*	9.1	9.3	9.2	9.2	9.0
Volume of water produced for industrial customers *(millions of m³)*	123	121	175	230	223

(1) For the Energy activity, scope limited to heat production and distribution facilities exceeding 100 GWhTh.

Breakdown of water abstraction by activity in 2018



Breakdown of abstraction by source

In 2018, 92% of abstraction was from the natural environment (including 78% surface water and 22% underground water) and 8% from a municipal water network

In 2018, 75% of water abstracted by Veolia was used by end consumers connected to the municipal networks. 17% 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. Clearly 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.

(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.

Where relevant to the local context, these measures are offered to the Group's clients, who then decide whether to apply them on a case-by-case basis.

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 decision-makers (businesses and public authorities) to determine measures for managing and using water. It can be used with the carbon footprint and applies to both public water and wastewater services as well as to industrial clients.

As part of its 2016-2018 environmental plan, Veolia has pledged to perform a **water diagnosis at 90% of the sites it operates with significant water stress issues.** The diagnoses are performed using the WIIX tool and a risk assessment tool, the GEMI® Local Water Tool (LWT). The 26 sites with significant water stress issues identified in 2016 are from the Group's three business lines: Water, Waste and Energy. They represented 10% of water abstraction by Veolia. In 2018, one of the sites left the scope and water diagnoses were performed at 92% of these sites, therefore exceeding the Group's objective. The objective is increased to 95% for 2019.

Deployment of water diagnoses at sites with significant water stress issues

	2016	2017	2018	2018 objective	2019 objective
Share of sites diagnosed with significant water stress issues	27%	69%	92%	90%	95%

The diagnoses conclusions show that the business units operating these sites were generally already aware of the water stress issues in their catchment area and had proposed alternative solutions to their client or implemented them. The study of water risks and impacts performed as part of these diagnoses has provided figures and analysis elements to site managers, helping to open up a dialogue with clients regarding their challenges.

Protect existing resources

The protection of existing resources against human contamination is a vital prerequisite to protect water resources. This includes the prevention of accidental pollution, identifying chronic sources of resource deterioration, establishing protection zones around catchment areas and monitoring resources.

Optimize the long-term management of resources

Veolia solutions focus on long-term management of abstraction, optimizing procedures and process water recycling, as well as reducing water losses (improving distribution network performance).

In many cities, 20% to 50% of water produced is lost as a result of leaks in the distribution networks. Veolia has made reducing losses from networks one of its priorities.

Certain municipal contracts include a leak reduction objective, particularly targeting network leaks. For example, the drinking water contract for the city of Lille includes a network performance improvement objective of 79% to 85% by 2023.

Water consumption and efficiency of networks serving more than 50,000 inhabitants

	2015 *Pro forma* (2015-2018)	2016 *Pro forma* (2015-2018)	2017 *Pro forma* (2015-2018)	2018 *Pro forma* (2015-2018)	2018 objective	2019 objective
Volume of drinking water consumed *(millions of m^3)*	3,781	3,884	3,936	4,055	-	-
Volume of water losses in distribution networks *(millions of m^3)*	1,454	1,429	1,403	1,322	-	-
Efficiency rate of drinking water networks *(as a %)*	72.2%	73.1%	73.7%	75.4% (√)	≥75%	≥75%

The *pro forma* decrease in the volume of water losses in distribution 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	2018 objective	2019 objective
Smart meter solutions *(in millions)*	4.4	5.1	5.6	↑	↑
Percentage of customers with progressive rates *(in %)*	49%	52%	71%	↑	↑

The Group is increasingly digitalizing its businesses and offers so-called “smart” solutions to local authorities and users. Veolia has therefore developed a range of platforms and applications providing an overview of water services and a direct and real-time access to data, improving responsiveness and operating efficiency (Urban Board for elected representatives facilitating interactions with users and Urban Pulse, a mobile application for the general public).

Develop alternative resources

The development of alternative resources also helps save resources, such as the reuse of purified water, which has been developed for many years, retrieval of rainwater, groundwater recharge and sea water desalination.

As part of its 2016-2018 environmental plan (extended to 2019), Veolia has set the objective of further increasing the volume of water reused.

Volume of water reused from collected and treated wastewater

	2014	2015	2016	2017	2018	2018 objective	2019 objective
Volume *(in millions of m³)*	314*	373*	373	355	367	↑	↑

* *The indicator now includes the Waste business in addition to Water. Past results were recalculated accordingly.*

The decrease in the volume of water reused from collected and treated wastewater between 2016 and 2017 is mainly due to a decrease in collection volumes in the Middle East and the end of a contract in the United States.

6.2.2.3.3 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).

Objectives and results

Recovery of treated waste

	2014	2015	2016	2017	2018	2018 objective	2019 objective
Waste tonnage treated *(millions of metric tons)*	46.4	42.9	44.6	46.2	48.9	-	-
Tonnage of materials recovered from treated waste *(millions of metric tons)*	9.1	8.3	8.2	8.7	10.0	-	-
Heat produced from waste treated *(millions of MWh)*	2.7	2.9	3.0	3.0	3.2	-	-
Rate of global recovery (materials and energy) from treated waste *(%)*	-	67.7%*	65.4%*	66.8%*	67.6%* (√)	70%	70%
Recycled materials tonnage from dismantling *(metric tons)*		5,012	62,938	99,839	109,361	↑	↑

* *Pro forma 2015-2018.*

6.2.2.3.3.1 Recover client waste

Challenges and approach

In 2018, Veolia collected 29 million metric tons of waste and processed 48.9 million metric tons.

The waste generated by industrial companies and households (wood, paper, cardboard, glass, metals, plastic, etc.) can be recycled and converted into re-usable materials through selective collection and sorting. The management of end-of-life industrial facilities and equipment, identified as a priority growth area for the Group, also contributes to the supply of recycled materials *via* dismantling. Waste that is not suitable for materials recovery can be processed for energy recovery using the heat produced by specially designed incinerators and the recovery of biogas produced by the decomposition of landfilled waste.

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.

As part of its environmental plan for 2016-2018, extended to 2019, Veolia has set itself the objective of increasing the overall waste treatment recovery rate. In the long-term, recovery is improving: Between 2011 and 2018, the materials recovery rate for treated waste rose from 15% to 20% and the energy recovery rate increased from 44% to 46%.

In 2016, the decrease in the overall waste recovery rate can be explained by the increase in the tonnage received from landfill sites in China with little energy recovery. This impacted achieving the 2018 objective, despite an increase since 2017.

These indicators especially reflect the type of contracts signed by Veolia (with or without recovery).

Innovating to recover new types of waste

New types of products are reaching the end of their useful life, such as **solar panels**, requiring us to develop specific recycling technologies. In 2018, Veolia launched the first site of this type in France and Europe, in Rousset, Bouches-du-Rhône, 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: 2/3 of glass is transformed into clean cullet for the glass production sector, the frame is used at an aluminum refinery, plastic is used as recovered fuel for cement plants, silicon in the precious metal sectors, and finally cables and connectors are ground down into a form of copper shot. This expertise could be replicated in other countries, as there will be tens of millions of metric tons of solar panels at the end of their useful of life worldwide by 2050.

Combating food waste

Veolia has developed a comprehensive business offer for supermarket chains including the treatment of their biowaste and the recovery of unsold goods for reuse by associations and charities.
In 2016, Veolia signed a five-year partnership in France with the **social-economy start-up Eqosphère**. It is based on an Open Innovation strategy and relies on the complementarity of the two players: Veolia offers to accompany supermarket chains in optimizing their recovery of unsold items and biowaste while Eqosphère sets up optimized sorting processes and trains store employees. This partnership enables businesses to reduce their waste volumes and comply with the regulations governing food waste reduction.

6.2.2.3.3.2 Recover residual waste and limit the production of final waste

Challenges and approach

Waste from Group activities includes:

- the municipal and industrial waste management business which generates residual waste;
- the Energy business, which mainly generates combustion waste *via* the heat production facilities that it operates;
- the Water business, which mainly generates sludge from municipal wastewater treatment.

Across its entire business, Veolia aims to offer solutions to its clients to reduce final waste production.

6

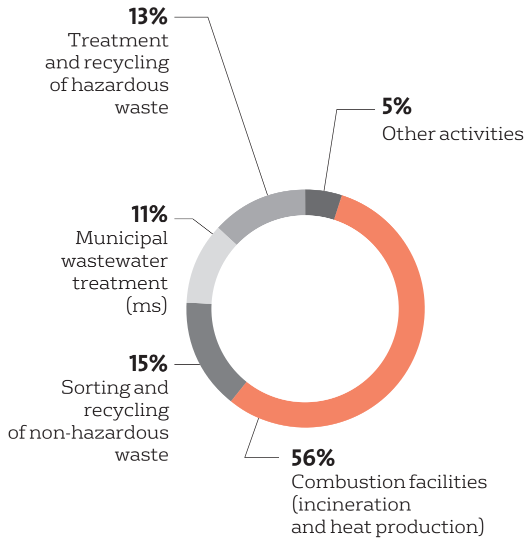
Change in residual waste production

Business	Residual waste produced	2014	2015	2016	2017	2018	Of which is recovered
Waste	Non-hazardous waste produced *(thousands of metric tons)*	3,360	3.229	3,663	3,447	3,689	28%
	Hazardous waste produced *(thousands of metric tons)*	648	650	705	742	796	-
Energy	Quantity of bottom ash and ash(2) *(thousands of metric tons)*	1,055	1,147	1,251	1,203	1,128	73%
Water	Sludge produced by wastewater treatment(1) *(thousands of metric tons of DM)*	714	721	680	662	691	58%

(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 2018 due to a larger quantity of tonnage received for treatment, even if the overall waste recovery rate increased.

Breakdown of residual waste production by activity in 2018



The main types of waste produced by the Group's activities are from combustion facilities (bottom ash and residues from incineration, ash and bottom ash related to the combustion of wood and coal in heating plants), non-hazardous waste sorting and recycling (sorting refusals), and municipal wastewater treatment (sludge).

Objectives and results

Recovery rate for the main types of residual waste produced by the Group's activities

	2015	2016	2017	2018	2018 objective	2019 objective
Recovery rate of residual combustion waste *(%)*	56%	58%	61%	63%	↑	65%
Materials recovery rate for waste treated in sorting centers *(%)*	90%*	89%*	89%*	89%*	↑	>85%
Recovery rate of wastewater treatment sludge *(%)*	62%	63%	57%	58%	≥65%	≥65%
Production of alternative fuels from treated waste *(thousands of metric tons)*	923	1,097	1,169	1,501	↑	↑

* *Pro forma 2015-2018.*

Limit and recover waste incineration residues

Bottom ash, the non-combustible solid residue produced by incineration, accounts for roughly 18% of the tonnage of incinerated non-hazardous waste. Recovery is regulated according to its source. After a period of maturation and depending on its composition, it may be recovered as road construction material. Veolia is contractually responsible for managing 62% of the bottom ash produced by the incinerators that it operates, equivalent to around 1.1 million metric tons; 92.2% 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. They represent around 3% of the waste incinerated for household waste incineration plants.

Limit and recover thermal energy plant combustion waste

The combustion of solid fuels such as coal, lignite and biomass produces ash that is largely made up of (non-combustible) mineral matter and a small amount of unburned carbon. The amount of ash produced depends mainly on the level of mineral matter present in the fuel. This tends to be low for biomass but can be high in the case of certain types of coal.

The ash produced falls into two categories: "bottom ash" and "fly ash". Fly ash is transported by combustion gases and is captured by dust removal equipment to ensure that only a tiny amount of dust goes into the atmosphere.

The Group is committed to limiting the waste produced by its Energy activity by improving combustion techniques and treating or recovering waste in accordance with local regulations.

Optimize recovery from waste sorting centers

The Group anticipates a fall in the product recovery rate for waste treated in sorting centers, notably due to expansion of household waste sorting instructions in France, which leads to managing more soiled waste which is harder to recycle, and contracts in countries where the customer target is lower. As a result, the objective of 85% defined for 2019 is a performance threshold objective.

Research and Innovation work in residual waste recovery specifically covers:

- optimized sorting *via* the development of innovative technologies such as remotely operated sorting (refined sorting using touch screens) and TSA2® (auto-adapting sequential sorting of packaging depending on their materials and color). Since 2018, the Group has used Artificial Intelligence with the robot-sorter Max-AI® at the Amiens center (France), which is a first in Europe and helps improve sorting quality and performance;

- the search for recycling solutions for complex waste derived from new technology, such as electronic equipment, plastics or solar panels (see Section 6.2.2.3.1 above);
- the production of 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. Population growth and more effective wastewater treatment systems using increasingly sophisticated treatment methods, increase the amount of sludge produced worldwide.

To meet the needs of its clients in both the public and private sectors, facing increasing sludge volumes, Veolia's challenge is to transform this sludge to reduce the related management costs and to recover it in the form of energy and/or products that can be used in agriculture or industry.

Sludge is mainly recovered for agricultural applications (land application or composting), when the sludge quality and availability of suitable land permit, and through waste-to-energy processes (such as anaerobic digestion, use as a replacement fuel and incineration with energy recovery). In 2018, at least 51% of sludge was recovered for use in agriculture and at least 7% was recovered for energy. While Veolia promotes sludge recovery solutions, the Group does not always have decision-making powers over the choice of treatment and recovery solution. Veolia ensures that the quality of the sludge is always appropriate for the client's intended use. The decrease in the sludge recovery rate in 2017 is mainly due to a change in the destination of sludge at several Chinese entities which impacted reaching the 2018 objective.

6.2.2.3.3.3 Reduce material consumption at our sites

Challenges

Raw materials consumed (excluding fuels) are mainly treatment reagents (notably urea, ammoniac, coagulants and flocculants). Their consumption is monitored internally and is indirectly communicated in scope 3 emissions in respect of reagents used in the production of drinking water and the treatment of wastewater (see Section 6.2.3.3.1 below).

Approach

In the Water business, predictive regulation of reagents makes it possible to optimize dosage levels and reduce consumption. The PrédiflocTM process reduces coagulant consumption by 15% on average. In addition, matching the size of storage tanks to actual requirements helps manage supplies more effectively, ensure consumption is properly planned and limit the number of truck journeys.

The Group has optimized raw material consumption and efficiency of use at several levels. On the economic front, a cost-cutting objective, which includes savings on purchases of raw materials, was defined and rolled out to all business areas. This is performed in conjunction with the Group's reduction objectives for its greenhouse gas emissions.

6.2.2.3.4 Optimize land use

Challenges

The Group's landfill sites and drinking water production sites cover the largest areas.

Approach

Towards ecological land management

However, these land areas are not fully sealed. The design of these sites and the operating methods implemented by the Group seek to minimize the footprint of its activities by maximizing the percentage of soil favorable to the maintenance and development of biodiversity. As part of its biodiversity strategy (see Section 6.2.4 below), the Group drafted an ecological management guide for its sites with the support of IUCN France. It combines practical information sheets that facilitate the independent roll-out of favorable measures for ecosystems, to be incorporated when designing and/or managing sites. The conditions governing land use are included in site operating rules and are consistent with the Group's commitment to ecosystem management (the ecological management and development element of the biodiversity commitment in relation to sites and clients).

Redevelopment of landfilling cells

The operation of a landfill site requires landfilling cells to be dug and prepared. When responsible for this task, the Group complies with all obligations regarding surface sealing and the recovery of excavated materials. Once used, the cells are covered as quickly as possible. These measures encourage the development of local ecosystems. The cells are monitored for environmental impacts before being returned to general use. When the entire site is redeveloped, monitoring continues to ensure that the species planted repopulate the area (post-operation phase). These stages are incorporated in the action plans for sites with major biodiversity issues (see Section 6.2.4 below).

Implementation of protective perimeters around water catchment areas

Protective perimeters are established around catchment areas of water intended for human consumption in order to preserve the resource. Within these protective perimeters, human activities that could directly or indirectly damage water quality are prohibited or tightly controlled. In its wellfield operations, the Group conducts voluntary biodiversity-friendly actions (differentiated management of green areas, inventory of animal and plant life, etc.), much like the actions carried out at the Crepieux-Charmy wellfield in Lyon.

6.2.2.3.5 Limit the discharge of pollutants into water

Challenges

Veolia provides wastewater treatment services to nearly 63 million people worldwide and collects 6.5 billion m^3 of wastewater. 5.8 billion m^3 are treated in the 2,667 urban wastewater treatment plants operated by the Group.

Volume of collected and treated municipal wastewater

	2014	2015	2016	2017	2018
Volume of wastewater collected *(billions of m^3)*	6.4	6.5	6.4	6.3	6.5
Volume of wastewater treated *(billions of m^3)*	5.8	5.8	5.7	5.7	5.8

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 clearly committed to optimizing management of the water cycle.

Collect and decontaminate wastewater

To ensure the efficient management of wastewater collection and treatment services, Veolia has developed a comprehensive approach to help public authorities according to their size and their technical and regulatory issues. The guaranteed success of a wastewater project involves several stages: assessment of needs, definition of a local strategy, quality guarantee, measurement of service performance and communication with residents on the impact of the service.

Optimizing the efficiency of treatment processes is an ongoing concern for Veolia, both in terms of operating facilities under its management and developing new processes.

The average rates of pollution abatement, expressed in BOD_5 and COD, for the wastewater treatment plants operated by the Group are very satisfactory. As part of its 2016-2018 environmental plan (extended to 2019), Veolia has set minimum efficiency thresholds of 90% and 85% respectively, well above French regulatory thresholds[1].

Treatment efficiency of wastewater treatment plants with a population equivalent capacity of at least 100,000

	2014	2015	2016	2017	2018	2018 Objectives	2019 Objectives
BOD_5 treatment efficiency *(%)*	94.1%	96.0%	96.0%	95.7%	95.6% (√)	> 90%	> 90%
COD treatment efficiency *(%)*	89.2%	91.4%	91.5%	91.3%	90.9% (√)	> 85%	> 85%

Furthermore, in accordance with the European Water Framework Directive, systems were implemented, particularly in France, to monitor the flow of a high number of micro pollutants deemed dangerous to the environment, to assess the impact of wastewater treatment plant discharges on the ecological state of bodies of water.

A comprehensive range of monitoring services

Veolia has developed regulatory analysis techniques and offers clients a comprehensive range of monitoring services (sampling and analysis). It has also identified biological tools for measuring the impact of these discharges on target organisms. When necessary, the Group works with its clients to define and implement solutions to reduce or eliminate the discharge of hazardous substances into the natural environment and manage the attendant risks. These solutions can either be implemented at source (for example, by connecting plants and monitoring networks) or take the form of remedial measures (by optimizing processes, introducing additional treatments, etc.).

(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.*

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).

SOx and NOx emissions

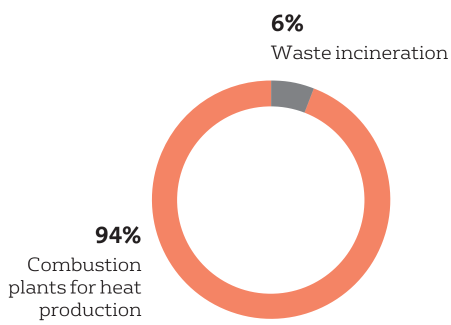
	2014	2015	2016	2017	2018
SO_x emissions (metric tons)[(1)] [(2)]	67,570	69,397	69,733	71,860	12,920
NO_x emissions (metric tons)	38,376	40,791	41,236	41,349	20,302

(1) For combustion facilities, Sulfur Oxide (SO_x) and Nitrogen Oxide (NO_x) emissions are calculated in accordance with the European Industrial Emissions Directive (IED) of November 24, 2010 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.

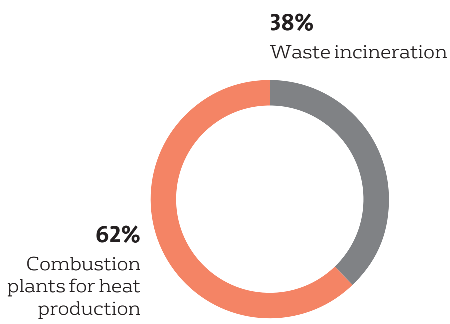
(2) The calculation methods for SO_x and NO_x emissions may differ depending on the activity. For the Group's waste incinerators, particularly in Europe, dust, TOC, HCl, SO_2, HF, CO, NO_x and flue flow are measured on a continuous basis. Analyzers provide substance concentration measurements every minute or so. For thermal energy plants, emissions are calculated based on energy consumption and regulatory emission limits for large combustion plants (from 50 to 100 MW). These emission limits have been applied to all energy consumption, regardless of the size of the facility.
Other methods may be used in response to local requirements, based on emission factors depending on the tonnage burned, with these factors being determined through tests under real operating conditions.

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 emissions by activity in 2018 (%)



Breakdown of NO_x emissions by activity in 2018 (%)



Commitment and approach

As part of its commitment to combat pollution, the Group aims 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

As part of its 2016-2018 environmental plan, Veolia has set the objective of reducing atmospheric emissions per unit of energy produced, and it has defined threshold objectives for 2019.

Average flow discharged by combustion plants for heat production with a capacity of over 100GWh

	2015	2016	2017	2018	2018 objective	2019 objective
NO_x *(g/MWh)*	363	322	299	273	↘	<300
SO_x *(g/MWh)*	483	295	244	224	↘	<250
Dust *(g/MWh)*	17	15	12	13	↘	<12

The decline since 2015 in NO_x, SO_x and dust emissions reflects the efforts made by the facilities and technical centers of excellence to capture and treat air pollutants emitted by heat production plants.

The increase in dust emissions in 2018 may be explained by the inclusion in the reporting of the new sites in Hungary and Finland which have emissions higher than the Group average.

For thermal installations, the best available techniques (BAT) also cover optimization of combustion by minimizing nitrogen oxides (NO_x) and carbon monoxide (CO) *via* flue treatment systems (denitrification, desulphurization and dust removal from combustion gases). The Group is also continuing with its efforts to reduce fuel consumption and encourage the use of clean fuels, specifically biomass and natural gas.

Atmospheric waste incinerator emissions

As part of its 2016-2018 environmental plan (extended to 2019), Veolia is continuing to use the strictest regulatory benchmark - the European Union benchmark - to assess its overall performance worldwide. In 2018, as in previous years, average emission concentrations were below the levels stipulated by the European Directive.

Emissions from hazardous and non-hazardous waste incineration plants in 2018

	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	9.4	119.7	11.4	6.1	1.6	0.01
2018 objectives(2)	< 50	< 200	< 50	< 10	< 10	< 0.1
2019 objectives(2)	< 50	< 200	< 50	< 10	< 10	< 0.1

(1) For NO_x, the standard depends on the output rate: 200 mg/Nm3 for plants > 6 metric ton/hour and 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).

Over the last four years, Veolia has actively contributed to the review of the Waste Incineration BREF (Best available techniques Reference document), which is scheduled for publication in 2020. These are technical documents prepared by the European Commission and the incineration industry, acting as a reference for the best available techniques, specifically improvement of the environmental impact, including emissions into the air 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 Group's landfill sites and drinking water production sites 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. It does this by storing and using materials properly, managing storm water and the effluents produced during treatment processes effectively, as well as ensuring that resources for preventing accidental spillages remain operational.

Prevention and monitoring at landfill sites

Waste landfills have the highest land footprint of all sites operated by the Group and are subject to minimum internal standards governing their design and operation. These include: carrying out geological soil studies; implementing a watertight system made up of a double barrier (active and/or passive, with the application of a geomembrane that has been tested and certified by an external service provider); introducing systems for collecting and treating leachates and surface water on site or at external plants; and monitoring groundwater.

Over the duration of operations and post-operations (at least 20 years), the monitoring system is based, *inter alia*, on the analysis of surface water, groundwater and discharges. All Veolia sites self-assess their compliance with these standards. Should they fall short, the sites must either propose an action plan showing how they intend to achieve compliance, demonstrate that equivalent measures are in place, or obtain special dispensation on the basis of additional monitoring measures.

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 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 covers 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, which aims to limit, capture and treat them.

Veolia therefore implements solutions directly and works with its clients where they are responsible for the corresponding capital expenditure. To this end, Veolia has developed technology and works with partners to treat and control odors (*e.g.* biofiltration treatment, scrubbing and electronic measurement systems). It also implements physical-chemical and biological techniques that limit odor problems. In the event of perceived pollution, the Group consults with the local population. For example, the creation of a "nose jury" made up of local residents who have been trained to identify odors and the introduction of a special telephone line both help to assess the odor problem more effectively and enable Veolia to take appropriate steps.

Limit waste collection noise

Challenges

The 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

Veolia is exposed to the risks of climate change (see Section 5.2.1.3 below) either due to the consequences of natural disasters on its sites or locations, or due to the impact of weather conditions on its business activities, particularly the Water and Energy businesses.

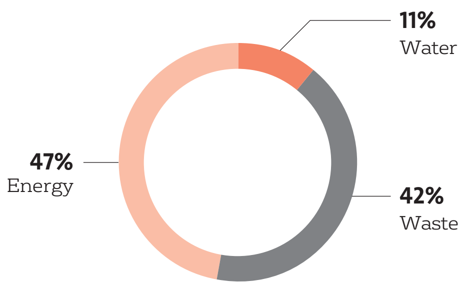
In order to help combat climate change, Veolia is committed to implement solutions to reduce greenhouse gas emissions (GHG), both for itself and its clients.

In 2018, the direct (scope 1)[1] and indirect GHG emissions linked to energy (scope 2)[2] of Group's operations amounted to 34.7 million metric tons CO_2 eq. 47% was generated by its Energy business (mainly the operation of heating networks) and 42% by its Waste business (mainly methane emissions[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] [6]: emissions linked to significant sources of scope 3 represent 45% of scope 1 and 2 (see Section 6.2.3.3.1 below).

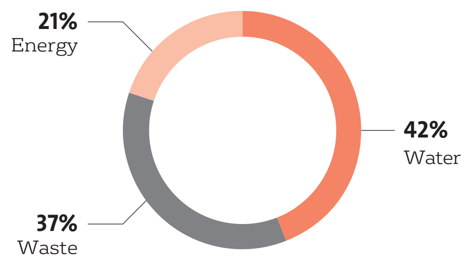
Overall, changes to regulations provide new market opportunities for the Group's activities:

- Veolia is committed to providing solutions aimed at reducing greenhouse gas emissions to its customers (energy efficiency, use of renewable energies, capturing and recovering methane, waste material and energy recovery). In 2018, GHG not emitted due to Group activities represented 62% 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 its water business (see Section 6.2.3.3.4 below).

GHS emissions by business (scope 1 et 2) (%)



Revenue by business (%)



(1) Direct GHG emissions (or 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 (or 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 (or 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, services or other products, 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.

6.2.3.2 Policy and commitments

As part of its commitments to sustainable development (see Section 6.1 above), Veolia has made commitment 2 to *Contribute to combating climate change*, and it has set the following objectives for 2020:

- capture over 60% of methane from managed landfills;
- achieve 100 million tons of CO_2 equivalent of reduced emissions[(1) (2)];
- achieve 50 million tons of CO_2 equivalent of avoided emissions[(1)].

Mr. Patrick Labat, Senior Executive Vice President Northern Europe, sponsors this commitment at the Executive Committee.

The most recent IPCC report in 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*" encourages the Group to plan its activity as part of a just transition to benefit regions through its customers, both public authorities and industrial groups (see Chapter 1, Section 1.2.4 above).

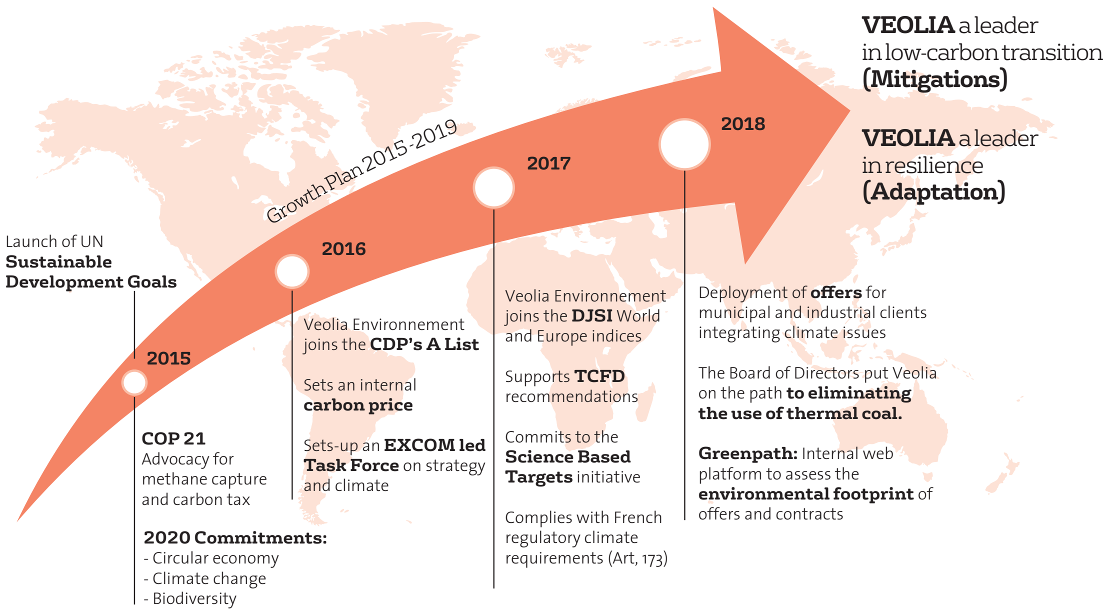
Committing the Group to a carbon neutral approach requires a focus on three complementary areas of action:

- the reduction of the Group's emissions based on measuring and reporting scope 1, 2 and 3 GHG emissions (see Section 6.2.3.3.1 below). Veolia's liability is divided between:
  - its own assets,
  - activities and services for which the Group exercises operational control where decisions (choice of energy mix, investments) are shared with its clients or supported by them,
  - and in the value chain based on the Group's sphere of influence;
- the development of solutions to help its clients to avoid emissions, through expansion of the circular economy and recovery of waste heat and biogaz (see Section 6.2.3.3.2 below). For this purpose, Veolia builds projects allowing the issue of carbon credits (*e.g.* recovering biogas from landfill sites in Latin America), participates in the development of the French low carbon certification through I4CE, creating offsetting opportunities in France or through the implementation of voluntary offsetting initiatives (*e.g.* SEDIF water contract, 4.6 million carbon neutral users in 2017);
- CO_2 sequestration, (*e.g.* participation in the consortium chosen by the Norwegian government to capture and store CO_2 from the Oslo incinerator).

Veolia - a responsible player in the energy transition

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 eliminating the use of coal: Veolia commits to not develop or acquire new activities using coal, except activities specifically aiming to replace coal with energies producing fewer greenhouse gas emissions. Rather than passing on the responsibility, 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.



(1) *Over the 2015-2020 period.*

(2) *Recognition of emissions avoided by energy production in CHP plants, compared to traditional thermal plants.*

Emission pathways and scenarios

The Group advocates for a scientific accounting of greenhouse gas (GHG) emissions and a scientific definition of greenhouse gas reduction trajectories. Accordingly, Veolia Environnement sits on the Board of Directors of the independent body responsible for the French accounting of atmospheric pollutants and greenhouse gases, CITEPA.

The Group's 2020 objectives were set based on the business changes presented to investors in the long-term plan and the related GHG emissions calculated business-by-business. Veolia joined the Science Based Target initiative and the ongoing work aims at reporting on the global GHG emissions evolution in the Group as a whole, rather than focusing on activity sub-sectors (district heating, waste recovery, water production and treatment). Scientific research (IEA, universities, etc.) is still needed to define appropriate scenarios and methodologies for these sectors. The Group's objective is to play a part in the contributions towards greenhouse gas reduction in the countries where it operates. In 2018, 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. Veolia also contributed with the Imperial College of London 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"*.

Veolia's commitment to the low carbon transition is recognized, particularly with its A- ratings from CDP Climate Change (in 2017 and 2018).

A committed player

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.

The Group is also committed to promoting low-carbon solutions enabling to avoided emissions. In 2018, Syndicat national des Régénérateurs de matière Plastique (SRP) provided its customers with certificates representing a potential saving of 0.3 million metric tons of CO_2 equivalent.

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, in terms of mitigating and adapting to climate change. During COP24 in Katowice in 2018, Veolia took part in several side events organized on the France, Poland and the European Union Pavilions, to share examples of low-carbon solutions and feedback on the challenges of adaptation, air quality and heating networks.
Veolia was one of the first French companies to have signed the **StepUp Now** initiative, launched by the European Climate Foundation during COP24 to encourage the European Union to remain steadfast in its climate goals and to support the vision of "Europe with net zero emissions by 2050".
Veolia contributes to the 2050 Pathways Platform *via* the **Nazca Tracking Climate Action** platform. Veolia is a member of CCAC, the Global Alliance for Building and Construction in favor of energy efficiency, of **Sustainable Energy for all (SE4All),** which aims to promote urban heat networks as a recognized solution for an energy transition at a regional level and a reliable source of reducing CO_2 emissions. The initiative is currently deployed in India, where pilot sites are being studied in China.

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

TCFD recommendation	Section of the Registration Document where this information is available	
Governance: role of the Board of Directors and Management	6.1.1 6.2.1 7.2.2.4 7.4.1.1 7.4.1.3	Sustainable development commitments Environmental management system Research, Innovation and Sustainable Development Committee Compensation of the Chairman and Chief Executive Officer Compensation of executives excluding the Chairman and Chief Executive Officer (Executive Committee members)
Strategy: Risks and opportunities	1.2 1.3 5.2.1.3	Strategy Business lines Risks relating to natural disasters, climate change and seasonal factors
Strategy: Scenario analysis	6.2.3.2	Emissions linked to Group activities
Risk management	5.1 5.2.1.3	Risk management and internal control Management of risks relating to natural disasters, climate change and seasonal factors
Indicators and targets	6.1.1 6.2.2 6.2.3 6.2.4	Sustainable development commitments Sustainably manage natural resources by encouraging the circular economy Contribute to combating climate change Conserve and restore biodiversity

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 medium to long-term conversion of coal-heat and power plants (see box Sections 6.2.3.2 above and 7.2.1.4 below). The results of climate commitments are presented annually to its Research, Innovation and Sustainable Development Committee (see Section 7.2.2.4 below). The Director of the Northern Europe zone, the member of the Executive Committee sponsor of the climate commitment, presents the Group results on climate to the Executive Committee and submits proposals for associated action plans (in June and October 2018). The environmental indicators chosen to calculate the variable salary of the Chairman and members of the Executive Committee are part of the Group's climate commitments.

Through its Climate Commitment 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 (see Section 6.2.1 above).

At an operational level, each Business Unit Director is responsible for identifying business opportunities by adapting the Group strategy (see Chapter 1, Section 1.2 and 1.3 above) and risks inherent to their business lines and region, with climate risk being identified as one of the leading risks (see Section 5.2.1.3 above). As part of the efficiency program (see Section 1.2.3 above), the Group includes actions to reduce energy and chemical product consumption. The Environmental Management System (See Section 6.2.1.2 above) enables Business Units to reflect on their actions to combat climate change and initiate action plans accordingly.

6.2.3.3 Actions and results

6.2.3.3.1 Climate performance – Emissions reporting

To provide transparency and advice to its clients, 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).

Change in GHG emissions of activities under operational control[1]

	2015	2016	2017	2018
Scope 1 – Direct emissions *(million metric tons of CO_2 eq.)*[1]	26.9	28.5	28.8	29.6 (√)
Scope 2 – Indirect emissions *(million metric tons of CO_2 eq.)*	7.5	5.3	5.2	5.1 (√)
Total *(million metric tons of CO_2 eq.)*	34.4	33.8	34.0	34.7 (√)

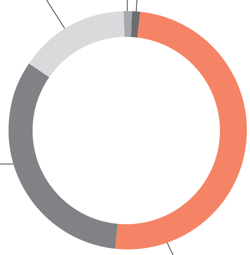
(1) The methodology for calculating direct emissions at landfills was reviewed in 2018 to include a better identification of waste accepted at the sites, the modifications have been applied to the years 2015 to 2018.

The increase in Veolia's Scope 1 is mainly due to the Group's growth. Veolia's Scope 2 remained under control in 2018, reporting a slight decrease despite higher revenue.

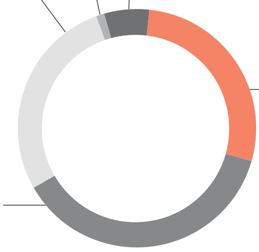
(1) The GHG Protocol proposes several ways of consolidating GHG emissions:

- *the operational control approach (GHG emissions fully consolidated for the activities in the operational control scope, even if the assets are not fully owned by the Group);*
- *the equity share approach (consolidation of GHG emissions according to the equity share in the entity, within the environmental reporting scope);*
- *Veolia has chosen the first approach which corresponds to its role as an operator.*

Breakdown of scope 1 emissions by activity



Breakdown of scope 2 emissions by activity[1]



Group direct emissions increased by 0.8 million metric tons of equivalent CO_2. This increase was driven by:

- external growth (acquisition of SALA group, leader of hazardous and municipal waste, in Colombia, a landfill in Australia, waste incinerators in Korea, new industrial energy facility management in Finland and growing demand for industrial heat in China);
- an increase in connections to existing district heating networks in China.

despite a decrease linked to the end of the contract in Gabon in 2018 and a decline in GHG emissions at landfills in China.

The main Scope 2 emissions are linked to drinking water production services and processing wastewater which requires the purchase of electricity. 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.

Scope 3 emissions

The Group also assesses greenhouse gas emissions that fall under its control by calculating scope 3 emissions. Since 2017, only significant sources are published (*i.e.* over 90% scope 3), *i.e.* significant sources of emission or minor sources of emission where the Group's driver of action is significant.

Change in main scope 3 emission indicators

	2015	2016	2017	2018
Share of scope 3 emissions linked to electricity consumption *(in million metric tons of CO2 eq)*	8.3	8.1	8.2	8.4
Emissions linked to purchasing heat and electricity for distribution via networks operated by the Group *(in million metric tons of CO2 eq)*	-	6.8	6.8	6.7
Emissions linked to the purchase of products and services *(in million metric tons of CO2 eq)*			0.5	0.5
Business trips (air and rail) *(in million metric tons of CO2 eq)*	0.016	0.011	0.011	0.010
TOTAL	8.3	14.9	15.5	15.6

Emissions relating to purchases of products and services presented in the table above are those linked to chemicals used in the production of drinking water and the treatment of waste water[2]. Veolia is committed to a responsible purchasing strategy which contributes to reducing scope 3 emissions (see Section 6.3.3.3.3 below).

(1) To comply with 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 are accounted for in scope 2.

(2) These indicators are calculated using the sum of volumes produced and the sum of wastewater volumes entering wastewater treatment plants for treatment and associating respective emission factors relating to the inputs (chemicals). Source: Base Carbone.

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 waste water).

The measures implemented to reduce and prevent GHG emissions, for each business line, are as follows:

Business line/ Type of measure	Measures implemented
ENERGY Reduction of GHG emissions	• Proper use of energy transformation facilities (energy efficiency) resulting in less fuel consumed for the same energy output. • Use of renewable and alternative energy instead of fossil fuels whenever possible (biomass, geothermal, solar, wind, etc.). • Optimum supply of energy services (integrated energy management) encouraging a more rational use of energy by consumers. • Combined production of heat and electricity (CHP).
WASTE Reduction of GHG emissions	• Collection and treatment of biogas from landfill sites. • On-site consumption of heat and electricity produced from waste incineration and biogas recovery. • Other actions enabling the reduction of fuel and energy consumption.
GHG emissions avoided	• Sale of heat and electricity produced from waste incineration and biogas recovery at landfills and from anaerobic digesters. • Recycling of raw materials contained in waste. • Production of alternative fuels from waste.
WATER Reduction of GHG emissions	• On-site consumption of a portion of the heat and electricity produced from renewable sources (biogas from sludge digestion, recovering potential water energy using hydraulic micro-turbines, heat pumps, etc.). • 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.).

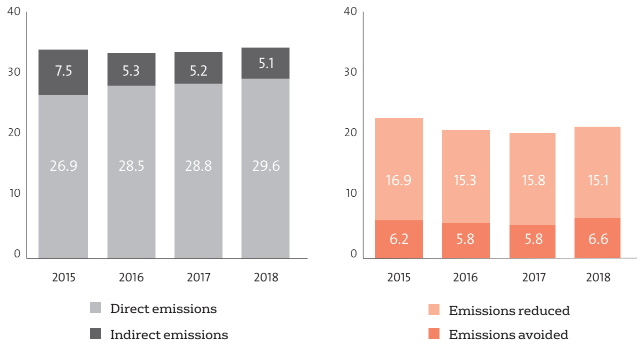
The Group has deployed an operational excellence approach, coordinated at corporate level for its main sites and contracts: over 1,600 entities which implement an annual action plan to improve operating performance (see Chapter 1, Section 1.2.3 below), in particular regarding the efficiency and maintenance which contribute directly to reducing scope 1, 2 and 3.

The sustainable purchasing process - aiming to implement a TCO (Total Cost of Ownership) approach to assess costs over the useful life of the equipment - also contributes to energy efficiency (see Section 6.3.3.3.3 below).

The Group offers its expertise to its clients to calculate and reduce their environmental footprint and particularly their carbon footprint, using the Veolia GreenPath tool (see Section 6.2.1.5 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 Tetra-Pak for aluminum, plastic and cardboard from food cartons are accompanied by eco-design measures: these actions contribute to the circular economy (see Section 6.2.2 above) and avoid emissions.

Objectives and results

Change in GHG emissions (millions of metric tons of CO_2 eq.)



The increase in emissions avoided is related to the acquisition of metal recovery sites in Sweden and an to increase in the recovery of energy from waste in Asia.

The decline in emissions reduced is related to the end of the hydroelectric power production contract in Gabon and the decline in captured methane at landfills.

Total emissions reduced and avoided since 2015

	2015	2016	2017	2018	2020 objective
Total emissions reduced since 2015* *(millions of metric tons of CO_2 eq)*	16.9	32	48	63.1 (√)	100
Total emissions avoided since 2015 *(millions of metric tons of CO_2 eq)*	6.2	12	17.9	24.4 (√)	50

* *Since 2016, Veolia has aligned its scope 2 calculation for the Energy activities to the GHG protocol. The calculation reference scenario for emissions reduced was modified accordingly.*

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 to capture and recover 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	2020 objective
Methane capture rate from landfills *(%)***	62.2%*	60.6%*	57.9%*	57.7% (√)*	≥ 60%

* *Pro forma 2015-2018.*
** *Change in the calculation methodology (See Section 6.8 above).*

The decline in the capture rate since 2015 is due to the policy for closing landfills in the United Kingdom, the decline in the methane capture at major landfills in China and France and works on motors at sites. The methane capture rate stabilized in 2018. As a result of the increase in the price for carbon credits, the profitability of new methane capture facilities managed by Veolia is possible in the medium term.

The captured methane recovery rate improved from 78% to 84.4% between 2015 and 2018, reflecting the Group's effort to use the methane it captures rather than flaring it.

6.2.3.3.3 Save and preserve energy resources

Challenges

For its Energy business, Veolia produces and distributes energy (mainly by operating district heating networks) but also provides energy services aiming at optimizing consumption by its industrial and tertiary clients.

For its Water and Waste businesses, Veolia consumes energy and recovers as much energy potential as possible from treated waste and wastewater to reduce its own consumption and produce energy for third parties.

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 alternative energies and support its clients 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 activities (recovery of heat, electricity or biogas from methane produced *via* waste fermentation).

Changes to primary energy consumption linked to the production of energy for sale

					Business contribution *(as a %)*		
	2015	2016	2017	2018	Water	Waste	Energy
Energy consumption[1] *(millions of MWh)*	108.1	96.6	97.1	99 (√)	0%	33%	67%
Renewable or alternative energy consumption[2] *(millions of MWh)*	36.0	36.8	37.3	39.7	0%	76%	24%
Share of consumed renewable or alternative energies *(as a %)*	33.3%	38.1%	38.5%	40.1%	-	-	-
Renewable energy consumption *(millions of MWh)*	20.9	20.8	21.0	22.5	0%	62%	38%

(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 activity without production.
(2) Alternative 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. Waste heat from incinerators is considered renewable at 50% and alternative at 50%.

Change in production of energy for sale

					Business contribution (as a %)		
	2015	2016	2017	2018	Water	Waste	Energy
Energy production (thermal and electrical) *(millions of MWh)*	62.6	53.8	54.4	56.0 (√)	1%	17%	82%
• Of which thermal energy production *(millions of MWh)*	45.0	37.2	37.3	39.6	1%	9%	90%
Renewable or alternative energy production *(millions of MWh)*	16.1	16.3	16.3	17,5 (√)	4%	51%	45%
Share of renewable or alternative energies produced *(as %)*	26%	30.3%	30%	31.3%	-	-	-
Renewable energy production *(millions of MWh)*	11.7	11.5	11.5	12.4	5%	39%	56%

As part of its 2016-2018 environmental plan which has been extended to 2019, Veolia set the objective of increasing renewable and alternative energy production by 5% compared to 2015 across the entire business.

Change in renewable and alternative energy production

	2015	2016	2017	2018	2018 objective	2019 objective
Renewable and alternative energy production *(millions of MWh)*	16.1	16.3	16.3	17.5 (√)	↑	↑
Change compared to 2015	-	+1.2%	+1.2%	+8.7%	+5%	+5%

The renewable and alternative share of total energy production increased: the end of the Gabon contract (hydroelectric power production) is offset by the commissioning of new biomass thermal power plants in Hungary and in Japan. Progression was noted in Spain (supplying industrial clients with wood pellets), Slovakia and Morocco (olive pomace).

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 42,053 energy facilities worldwide. GHG emissions linked to the Group's Energy business represent 50% of scope 1 and 29% of scope 2.

Energy performance indicators (Energy business)

	2015	2016	2017	2018	2018 objective	2019 objective
Heat and electricity production and distribution activity:						
CO_2 emissions per MWh of heat and electricity sold *(as kg CO_2/MWh)*	359	382	372	356	↘	↘
Primary energy savings* *(in GWh)* linked to cogeneration at heat production and distribution facilities exceeding 100 GWh/year	5,337	6,144	5,873	6,706	↑	↑
Energy performance *(as a %)* of heat networks exceeding 100 GWh/year	84%	85%	87%	87%	↑	≥ 85%
Share of biomass in the energy mix *(as a %)*	8%	9%	9%	12%	↑	≥ 10%
Energy services for buildings and industrial clients:						
Energy savings (expressed as metric tons equivalent of CO_2 not emitted) due to optimized building energy services (e.g. Hubgrade…)	Not measured	8,850	9,840	15,030	↑	10,000

(*) Indicator coming 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 12 years in 2017: this recent infrastructure provides the best available technologies to limit pollution and improve production performance.

Primary energy savings (in GWh) related to CHP increased significantly following the provision of industrial energy services in Finland, the increase in the supply of industrial heat in China and the re-commissioning of a biomass plant in Poland after renovation.

Downstream from the public authority heat production facilities, Veolia operates district heating networks: these offer optimized energy performance by focusing production at a single site compared to domestic sources. Veolia has improved the performance of district heating networks due to significant investments. The Group has now set an objective to maintain this performance above 85%.

Veolia also has a policy to diversify its energy mix towards renewable energies. The share of combustible biomass consumed by energy businesses increased from 6% in 2011 to 12% in 2018. The increase in 2018 is mainly related to the acquisition of new thermal plants in Hungary and in Japan.

For its energy services for buildings and industrial clients, Veolia has deployed performance management centers at all its zones: controlled by data analysts and systems engineers for optimum management of managed facilities consumption, such as its subsidiary ENOVA in the United Arab Emirates.

Waste Business: improve energy efficiency and develop recovery

The Group develops energy recovery from waste at sites such as incinerators producing heat, storage waste centers and methanisation units producing biogas. This helps reduce the use of other energy sources to ensure self-consumption and to provide energy to third parties. Moreover, Refused Derived Fuels (RDF) recovery and recycling activities also help reduce clients' primary energy requirements.

6

Energy performance indicators (Waste business)

	2015 (*Pro forma* 2015-2018)	2016 (*Pro forma* 2015-2018)	2017 (*Pro forma* 2015-2018)	2018 (*Pro forma* 2015-2018)	2018 objective	2019 objective
Energy production by municipal waste incinerators *(as kWh/metric ton of incinerated waste)*	731*	740*	760*	761*	↑	↑
Captured methane recovery rate from landfills *(as a %)*	78.1%*	81.1%*	83.6%*	84.4%*	↑	↑

* *Pro forma 2015-2018.*

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.

Energy consumption (excluding energy production and distribution activity)

	2015	2016	2017	2018	Business contribution *(as a %)* Water	Waste	Energy
Energy consumption *(millions of MWh)*	14.6	15.9	15.6	15.7 (√)	57%	41%	2%
• Of which thermal energy consumption *(millions of MWh)*	6.1	6.1	6.3	6.3	27%	71%	2%
• Of which electrical energy consumption *(millions of MWh)*	8.5	9.8	9.4	9.3	77%	20%	3%
Renewable and alternative energy consumption *(millions of MWh)*	6.2	5.9	6.0	6.0	15%	85%	0%
Renewable energy consumption *(millions of MWh)*	5.8	5.4	5.5	5.5	16%	84%	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 65% 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 the consumption at the facilities which it operates (waste and wastewater systems, networks and factories) through listing best practices and efficient technological choices, the deployment 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 above), Veolia studies and evaluates energy recovery options (methanation, 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 client, Veolia aims to reinforce 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 system 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. This initiative has allowed three treatment plants to achieve energy autonomy (Braunschweig, Görlitz and Schönebeck, *i.e.* approximately 520,000 population equivalent).

Energy performance indicators (Water business)

	2015 (*Pro forma* 2015-2018)	2016 (*Pro forma* 2015-2018)	2017 (*Pro forma* 2015-2018)	2018 (*Pro forma* 2015-2018)	2018 Objectives	2019 Objectives
Electricity consumed for drinking water production *(as Wh/m³)* by factories exceeding 60,000 m³/day	267	262	229	233	≤ 260	≤ 260
Electricity consumed for wastewater treatment *(as Wh/m³)* by treatment stations with population capacity equivalent greater than 100,000	355	343	350	344	≤ 348	≤ 348
Recovery rate for biogas produced by sludge methanation *(as a %)* by treatment stations with population capacity equivalent greater than 100,000	76%	78%	75%	73%	↑	↑

Waste Business: improve energy efficiency and develop recovery

The main sources of energy consumption are the waste collection activity (fuel consumption representing 1% of the Group's scope 1 emissions) and incineration activity (electricity consumption representing 1% of the Group's scope 2 emissions and self-consumed energy from waste recovery)(see Section 6.2.3.3.1 above). Veolia works to limit pollution by managing its vehicle fleet and optimizing collection routes to limit emissions. Veolia also optimizes primary energy consumption at its waste incinerators.

Energy performance indicators (Waste business)

	2015 (Pro forma 2015-2018)	2016 (Pro forma 2015-2018)	2017 (Pro forma 2015-2018)	2018 (Pro forma 2015-2018)	2018 Objectives	2019 Objectives
CO_2 emissions linked to waste collection *(as kg of CO_2/km)*	1.4	1.4	1.4	1.3	↘	↘
CO2 emissions by quantity of energy produced by waste incinerators, excluding waste carbon content *(as kg of CO_2/km)*	22.9	23.3	22.1	21.3	↘	↘

6.2.3.3.4 Adapt to the consequences of climate change

Veolia accompanies the development of regions and has developed a range of solutions to help its clients adapt to climate change and improve their resilience, such as:

- water recycling and the reuse of wastewater to reduce pressure on natural resources and conflicting usages in areas exposed to water stress or excessive water demand in dense urban or industrial areas (see Section 6.2.2.3.2 above);
- the control of urban wastewater systems in rainy weather to limit flooding risk and the health and biodiversity impacts (see 6.2.2.3.5 Limiting the discharge of pollutants into water above);
- continuity and crisis and post-crisis management plans covering the provision of essential services following extreme events and the return to normal;
- limiting urban heat islands like in Nice;
- contribution to the well-being of communities located in at-risk zones, such as coastal zones, affected by water stress issues (see GreenPath box, Section 6.2.1.5 above) or rising sea levels (See "Contributing to regional resilience", in Section 6.3.3.3.1 below)

As part of its contribution to managing the overall water cycle, Veolia is funding a study on the impact of climate on the French Atlantic coast, led by the think tank La Fabrique Ecologique, after taking part in a guide to combat urban sprawl with France Nature Environnement.

The risks linked to climate change at sites operated by the Group are acknowledged (see Chapter 5, Section 5.2.1.3 above) and Veolia implements scalable solutions to help customers to reduce regional vulnerability and develop preventive management against crisis situations. With this in mind, the Rockefeller Foundation, Veolia and Swiss Re Corporate Solutions Ltd joined forces to design a new infrastructure rehabilitation initiative, the 100 Resilient Cities initiative. This partnership aims at providing cities with assistance to adapt to climate change and reduce exposure to the risk of natural disasters. Veolia provides its expertise to reconsider the design of infrastructures and asset management, in a systemic vision combining water, waste and energy, such as New Orleans (USA).

Veolia is interested in the emergence of new services, which help to fund the improvement of these infrastructures. Faced with new risks which cities tackle, they must increase the resilience of their infrastructures and their water and energy services. These insurance products provide a new source of funding which will help reduce risks and increase city resilience.

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 helps reduce the contamination 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 and/or indirect environmental impacts which contribute to a loss of biodiversity, due to the consumption of natural resources, residual contamination 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 as well: microbial activity, and the ability of downstream 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 above), Veolia has made commitment no. 3 to *Protect and restore biodiversity,* and it has set an objective to have carried out a diagnosis and deployed an action plan at 100% of sites identified with significant biodiversity issues by 2020.

Mr. Philippe Guitard, Senior Executive Vice President Central and Eastern Europe, supports this commitment at the Executive Committee.

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*, SNB) launched in France, and which Veolia signed in May 2011. In 2015, to demonstrate its support, the company set up a voluntary commitment initiative comprising a 2015-2018 action plan covering all its activities in France and abroad. It was officially recognized by the French Ministry for ecological and inclusive transition in October 2015.

This commitment can be split into three parts:

- (1) Better take into account biodiversity issues locally and contribute to the design of innovative solutions inspired by nature;
- (2) Deploy initiatives for the ecological management of our clients' sites and our own;
- (3) Raise awareness, involve more people both internally and externally and promote initiatives put in place in collaboration with local players;

It is accompanied by a 2020 target of conducting an analysis and implementing an action plan at all sites identified as facing significant biodiversity challenges.

In July 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 commitments unique to Veolia. These commitments were made official on July 10, 2018 during an event bringing together these companies' Chief Executive Officers.

In 2019, Veolia will renew its biodiversity action plan to reflect its commitments made as part of the national strategy for biodiversity and Act4Nature.

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

Through its now complete 2015-2018 action plan, the Group focused on changing its business and practices in terms of ecological management by encouraging 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 clients, 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.

Better take into account biodiversity issues locally and contribute to the design of innovative solutions inspired by nature

The aim is to increase the Group's understanding of biodiversity and better integrate this understanding into the services proposed to clients. Veolia has therefore performed an impacts and dependencies assessment for each of its businesses and analyzed the benefits of services provided by nature (see Section 6.2.4.1 above). The analysis of these challenges drives research projects and the design of innovative solutions (bioindicators to measure impacts, green infrastructures, etc.).

Deploy initiatives for the ecological management of our clients' sites and our own

Initially, this involves managing the impacts linked to discharges and withdrawals in the natural environment of operating sites. 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);

It also involves managing and developing areas from an ecological perspective, to compensate for the impacts generated by land coverage. The approach focuses primarily on sites identified as having significant biodiversity issues and requiring priority actions (compulsory performance of biodiversity assessments involving ecologists) but also allows site managers to act independently (ecological management guide, footprint calculator for the management of green areas, green area charter, etc.).

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, through the Group's reporting tool, to identify sites with significant biodiversity:

- the ecological context. This is defined according to the presence of protected species or natural habitats on the site and the type of environment on which the site is located. It is also defined according to 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 Company has used 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 (terrestrial 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 planning and management of sites

	2015	2016	2017	2018	2020 objective
Percentage of sites with significant biodiversity issues that have carried out a diagnosis and deployed an action plan (2015-2018 *pro forma*)	33%	42%	55%	60%	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	/
Number of sites that have introduced ecological management and/or development	141	155	161	181	/

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 methodology includes the characteristics of the surrounding environment, site development and management methods and the disruptions relating to its activity that can be used to define an action plan tailored to local issues;
- the ecological management guide, developed in partnership with IUCN France (reviewed in 2016), that enables all sites, whatever their issue at stake, to implement measures to protect biodiversity. It comprises information sheets on the maintenance of green areas, ecological developments for roads and buildings, maintenance of ponds and waterways, and the management of invasive exotic species;
- EcoLogiCal, a tool designed in partnership with the Noé association and with the participation of IUCN France and Ecocert Environnement. Through an online questionnaire (self-assessment) on 5 major themes (flora, fauna, water, waste, lighting), it allows you to compare the economic and ecological balance sheets 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;
- a green spaces charter, which aims to support site transition and green space managers towards more ecological partnerships. Made up of mutual commitments to be implemented by Veolia sites and landscaping professionals responsible for managing their green spaces, it also includes a management method assessment tool.

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 SNB, creation of operational tools, etc.). The Group actively participates in think tanks with the IUCN, the *Fondation pour la Recherche sur la Biodiversité* (FRB) and the French associations *Entreprises pour l'Environnement (EpE)* and *Orée*.

In November 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 4 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.

Deployment of local partnerships

	2015	2016	2017	2018
Number of sites that have forged a partnership with a local conservation association	62	47	51	60

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 Veolia Foundation's projects involve the Group's employees, as sponsors of supported projects (financial sponsorship), or Veoliaforce network volunteers (skills sponsorship through work in the field). In 2018, Veolia Foundation provided financial support to 51 new projects or action plans of €2.612 million. By extending the Foundation's mandate for a new five-year term (2018-2023), the Group has confirmed its commitment to a policy of skills-based patronage and financial sponsorship;
- the Veolia Institute (www.institut.veolia.org), a non-profit organization created in 2001 by Veolia Environnement, looks forward 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 future-oriented 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).

Veolia, firmly anchored and involved in the regions, 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. In the regions where the Group operates, cohesion and social equity represent success factors for our businesses, the public services we are delegated, or the contracts we are awarded.

6.3.2 BUILD NEW MODELS FOR RELATIONS AND VALUE CREATION WITH OUR STAKEHOLDERS

6.3.2.1 Risks and opportunities

Veolia is exposed to different risks described in Chapter 5 linked to the environment in which the Group operates, notably including political risk, risk linked to regulatory changes, risk linked to market developments as well as risks linked to worsening of labor relations (see Sections 5.2.1, 5.2.2 and 5.2.4 above).

Competition, rapid developments in markets in which Veolia operates and regulatory changes associated with the Group's multiple geographic locations require monitoring, close dialogue and continual collaboration with all stakeholders, whether local, national or international.

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

As part of its *sustainable development commitments* (see Section 6.1 above), Veolia has made commitment no. 4 to *Build new models for relations and value creation with its stakeholders*. It has set an objective by 2020 to implement a major partnership based on the creation of shared value in each of its 11 activity zones and 7 priority growth segments (petrol & gas, mines & metals, food production, dismantling, circular economy, complex contamination and innovative models for cities).

This commitment is based around two complementary lines:

- develop relations with all stakeholders in its ecosystem (see Sections 6.3.2.3.1 and 6.3.2.3.2 below);
- build new shared value creation models with our clients and regional partners (see Section 6.3.2.3.3 below).

Mr. Laurent Auguste, Senior Executive Vice President, Development, Innovation and Markets, sponsors this commitment at the Executive Committee.

With the increased importance of civil society players (NGOs, social entrepreneurs, consumer associations, charities, universities, etc.), the Group has redefined the scope of its businesses, remodeled its governance and rethought its growth in terms of innovative models, developing new business models. These new models leverage the Group's know-how through contracts sharing profit and value creation with clients and partners contributing additional expertise. These co-building mechanisms provide the means to understand issues that Veolia could not tackle alone.

In 2018, Veolia continued its partnership relations policy in two directions:

- collaborations with institutional, national or international bodies, as well as economic players, to sharpen the Group's expertise and know-how in its various business lines.

  Veolia has regular exchanges with its institutional stakeholders (associations, international organizations, universities, trade unions, etc.) through various discussion forums (working groups, conferences and international events) and has formed partnerships with several of them. 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.

  Similarly, through its Critical Friends Committee (see the box below) and the organization of "stakeholder meetings" with leading experts, the Executive Committee shows its desire to take onboard stakeholder opinions and challenge some of its strategic directions. Veolia actively contributes to discussions, consultations and projects on developments in environmental services management initiated by international, European and French authorities, professional associations, think tanks and NGOs. The Group shares its expertise by responding to stakeholders' requirements, initiatives or issues that have a direct or indirect impact on its businesses. Veolia also creates new working relations with its clients and business partners to help forge innovative partnerships based on shared value creation models;
- support measures for the socio-economic development of areas where the Group operates (see Section 6.3.3 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).

A Critical Friends *Committee*

Created in 2013, the Veolia Critical *Friends Committee* is made up of twelve people from non-profits, institutions and the academic community who are experts in social and environmental problems. It is an opportunity for a group discussion which aims to provide the Company's senior management with an external viewpoint on strategic topics in relation to its social, corporate and environmental responsibility, in order to foster and support the Group's initiative to make continual progress.

The Committee's duties:

- react to and challenge strategies, problems and actions presented by Veolia management or encouraged by committee members, in terms of changes to business or sustainable development;
- pass on the expectations of stakeholders from the Group, including those which are furthest from Veolia's direct activity;
- suggest areas for progress;
- formulate constructive opinions on strategies or potential actions, where applicable.

The *Critical Friends* meet one to two times a year. During these meetings, they learn more about Group business during site visits, and hold discussions with the Veolia Environnement Chairman and Chief Executive Officer and members of the Executive Committee in relation to a topic set in advance. These topics have included Veolia CSR issues and the Company's transparency with its stakeholders, climate responsibility and its contribution to the United Nations Sustainable Development Goals. In 2018, the Committee looked at the themes of air quality, international and societal developments which will affect its activities and strategic challenges, and the definition of Veolia's raison d'être.

The Veolia Critical Friends Committee *is chaired* by an independent individual, recognized for their experience in social and environmental matters. Jean-Michel Severino (CEO of Investisseurs et Partenaires) has held this role since 2013.

In 2015, two local *Critical Friends* Committees were created in China and Germany in order to discuss topics related to Veolia activities in these countries, with representative stakeholders.

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

Institute reviews and conferences

Since 2001, the Veolia Institute has provided insights into future trends and has developed its activities through ongoing dialogue in scientific and intellectual circles and with practitioners, such as NGOs, that lead their field in the areas concerned. With its conferences, its 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 several different

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viewpoints on a given topic, by combining feedback of best practices from field workers and expert analyses.

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 authors and experts on the discussed topics:

- the Veolia Institute published a review to understand the impact of the development of artificial intelligence, particularly for cities, its increased role in prediction and anticipation, and to analyze the challenges posed by this development in terms of public policies, personal data and citizens. Following this publication, in February 2018, the Veolia Institute organized a conference debate on the topic of artificial intelligence and robotics in partnership with The Future Society. The speakers discussed the opportunities and threats of these technologies, and suggested options to take advantage of this new technological revolution;
- in order to explore the numerous challenges which cities can encounter (climate change, natural disasters, health crises, loss of appeal, industrial decline, poverty, etc.) as well as innovative solutions to deal with these challenges, the Veolia Institute published a review on the topic of "resilient cities" in late 2018. Following this publication, the Veolia Institute organized a conference with Jean-Christophe Levassor, Director of "La condition publique", Guillaume Josse, an urban planner from Groupe Huit and Wexity, Eric Lesueur, chair of 2EI Veolia, and David Ménascé, Director of the firm Azao and professor at HEC.

The Institute's Forward-Looking Committee

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 2018, the Committee looked at the issue of plastic pollution in the oceans, with a group of international experts from various disciplines. One of its conclusions was that the solution was not in the sea, but on land, by attempting to change our "throwaway" society into a circular economy.

Other Institute activities

The Veolia Institute also had the chance to contribute to other events in 2018:

- an international conference entitled "l'eau et le vivant" which was organized on October 11 in Paris, in cooperation with the academic college Natanya and the US chamber of commerce, to explore the challenges of water and the possibility of a regional "new deal" for Middle East water;
- the 15th Entretiens de Royaumont (the Royaumont Interviews) organized in late November 2018

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. At the intersection between basic and applied research and public and private research, 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 SnO (Society & Organizations) Center, HEC Paris, Antropia and ESSEC's Institute for Innovation and Social Entrepreneurship) or civil society and the private sector (*e.g.* the "Entreprise et pauvreté" action tank, joined by Veolia Environnement in 2014 and partnerships with Ashoka and Ticket for Change involving entrepreneurial and social business projects). By promoting social entrepreneurship, these collaborations also contribute to regional economic development through 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 **Global Compact** in June 2003, and to contribute to the achievement of sustainable development goals and the definition of international agendas for development.

The Group is one of the businesses that have obtained the "Advanced" level differentiation for its UN Global Compact Communication on Progress.

Since 2017, Veolia has participated in the High Level Political Forum organized each year by the United Nations, which aims to take stock of implementation of the 2030 Agenda at a global level. In 2018, the theme was "Transformation towards sustainable and resilient societies", focusing on SDG 6, 7, 11, 12, 15 and 17, SDG where the Group's contribution is particularly important. During this forum, Veolia took part in a day dedicated to businesses, and also a side event organized by the United Nations Department of Economic and Social Affairs (UNDESA) and the WBCSD. It was an opportunity to present examples of innovative collaboration to achieve these SDG.

In 2018, Veolia took part in the 8th World Water Forum in Brasilia, and organized a conference there on the theme: "A global pact for the environment: is it compatible with business?". Veolia has supported the Global Pact for the Environment from the outset. This pact was launched in June 2017 and presented by Emmanuel Macron during the United Nations General Assembly in September 2017. The legal stability created by the Pact should help to support the transformation of business economic models and to deploy more environmentally-friendly solutions worldwide. During this debate, international lawyers, businesses and French and Brazilian experts discussed the challenges linked to the implementation of the Global Pact for businesses. Veolia underlined its role alongside its stakeholders to support the standardization of environmental standards, particularly in the water industry.

Veolia actively contributes to international debates on climate during the climate Conference of Parties (COP) (see Section 6.3.3.3.1 below).

Participation in multi-stakeholder platforms

In its commitment to multi-stakeholder platforms, such as competitiveness clusters and local and international scientific institutes, the Group seeks to achieve synergies with its regional ecosystem. Veolia is a player in partnership ventures such as Comité21, Vivapolis – Institute for sustainable cities, the Greater Paris Metropolitan mission, the (PFE), competitiveness clusters (Montpellier Water cluster, Brittany-Atlantic Maritime cluster in Brest and the Mediterranean Maritime cluster in Toulon), and the coastal conservation agency (*Conservatoire du Littoral and Rivages de France*).

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, which are carried out with international, European and national authorities, are discussed in Section 6.5.4.3 below.

6.3.2.3.2 Take account of local expectations

Establishing dialogue with local stakeholders involves, in particular:

- implementing a local management structure to respond to the information and service requests of all inhabitants;
- providing regular information to local stakeholders concerned and/or affected by access to services and changes thereto;
- conducting client satisfaction surveys to assess service progress and the benefits enjoyed by users and to better understand their expectations and reasons for dissatisfaction;
- setting-up an external communication system to promote new solutions to public authority clients (innovation booklet, innovation meetings, participation in sustainable city events, dedicated website);
- taking into account the informal sector.

Managing consumer/user relations

Veolia proposes to manage for and with public authority clients, relations between them and the populations they serve, *i.e.* consumer services delivered by Veolia.

The Consumer Service center of excellence created in 2015 enables best practices to be harmonized and shared between Veolia's international Business Units.

The Group develops mediation initiatives with associations (specifically in France with PIMMS and VoisinMalin and in Latin America with services dedicated to relations with consumers and stakeholders, particularly in disadvantaged neighborhoods) or social support partnerships for disadvantaged groups (see Section 6.3.4.3.2 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 in 2018 to provide users with real-time information in the event of water outages due to leaks in the drinking water network.

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 impacted 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.

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, Veolia India deploys community outreach teams in its contracts known as Social Welfare Teams. These teams are made up of around thirty people, mostly social workers, who form a link between local people and the technical and customer services of local Group entities.

Similarly, in Bangladesh the Grameen Ladies provide mediation services with local people (http://www.grameenveoliawaterltd.com/).

Veolia is linked with the Empowher association in Niamey, Niger, and jointly created a host organization called L'Oasis to promote social innovation, dialogue between civil society players and training to benefit the environment and women (see Section 6.3.3.3.1 below).

Since 2010, Veolia has organized an "environment project week" in partnership with local public authorities and NGOs in Rostock, Germany. In 2018, 200 people visited Veolia facilities and took part in workshops on the theme of sustainable packaging and the risk of plastic pollution in the oceans.

In the Merseyside region, England, where Veolia manages the waste of nearly 1.5 million people, there were 267 visits to the *Gillmoss Recycling Discovery Centre*, including 207 by schools, amounting to nearly 8,000 visitors.

In Latin and Central America (Ecuador, Colombia, Mexico, Brazil, Argentina, Chile and Peru), Veolia is a partner of the Organization of Ibero-American States for the environmental education program "Aldredeor de Iberoamérica". In 2018, over 20,000 children from disadvantaged neighborhoods in Ecuador, Colombia, Mexico, Brazil, Argentina, Chile and Peru took part in this program.

Thanks to Foundation activities, which are 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 below) as well as development assistance projects (see Section 6.3.4 below).

Taking account of the informal sector

The informal sector can be a competitor or complementary depending on activities managed by the Group, particularly for recycling activity in southern countries. It is a crucial issue for Veolia activity and the local industry, and therefore it is essential to take it into account. Accordingly, methods have been developed to integrate the informal sector into the waste management industry.

In Colombia, a social integration initiative for rag collectors has been set up at the landfill site in Cali, in partnership with local bodies. Following the implementation of an action plan to formalize the activity, 100 rag collectors received adapted training and obtained access to medical services. They have set up two recycling cooperatives, which now operate independently.

In Côte d'Ivoire, Veolia is involved in an innovative pilot project which focuses on collecting plastic PET bottles by buying them from local communities (informal collectors, private individuals, traders and others) as they are not recovered locally. This initiative, known as Africwaste, is supported by Veolia, which has identified Abidjan as a pilot city. A smartphone app which means that sellers do not need to travel is under development. The purpose of the project would be to provide a recycling plant in Côte d'Ivoire in partnership with the entire ecosystem.

6.3.2.3.3 Build new shared value creation models with our clients and partners

Together with its client and partners, the Group creates new business models based on sharing value created (financial or social), innovation and complimentary expertise:

In order to qualify a partnership as a "major partnership based on shared value creation", the following criteria must be met:

- 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 7 priority growth segments (petrol & gas, mines & metals, food production, dismantling, circular economy, complex contamination and innovative models for cities).

In 2018, the objective is within reach, with 11 activity zones and 6 of 7 growth segments covered.

	2016	2017	2018	2020 objective
Coverage rate of Veolia priority 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	Have established a major partnership based on creating shared value in every zone and every growth segment

Innovative contractual models

Peer Performance Solutions (SPP): Together with cities, Veolia develops new models for creating shared value and joint development, based on the sharing of profits achieved (Veolia Performance Solutions: New York, Washington, etc.).

Contracts with fund providers based on the AssetCo – OpCo model (*e.g.* partnerships with Takeei for the operation of biomass plants in Japan, with Neste and Borealis in Finland for energy production and with EPM in Latin America for the implementation of energy efficiency projects).

Innovative models founded on complementary expertise

The first international partnership on resilience was signed in 2016 with **Swiss Re**, under the umbrella of the Rockefeller Foundation, to help cities to recover their vital infrastructures more quickly after damage is caused by natural disasters. Acting together with 100 Resilient Cities, the partnership implemented its approach for the first time in New Orleans.

Veolia joined the **Livelihoods 3F** funds for family, responsible, fair and sustainable farming. By developing circular economy solutions, the Group will help improve the resilience of small farmers to climate change, specifically mitigating the risks of water shortages.

In **Aguascalientes, Mexico, Veolia** takes part in a collective project which aims to limit the risk of water shortages linked to the growing local requirements of the city, industry and farming.

Veolia is a partner of the **STOP (Stop Ocean Plastics) project** launched by Borealis and Systemiq. The project aims to make progress with 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 existing business lines - Water, Waste and Energy - 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. The Group is also working on producing insect-based animal protein, urban farming and aquaponic farming. For example, Veolia is a partner of **Entofood**, a Malaysian start-up which uses biowaste to cultivate insects, which are then used to feed livestock. As part of this collaboration, the first industrial site to transform organic waste into high added-value products such as protein is currently being built in Malaysia. In the south of France, Sede Environnement, a Veolia subsidiary specializing in biowaste, is a partner of the French start-up **Mutatec**. It aims to industrialize the insect reproduction process and convert the organic waste from these insects into organic protein and matter, as well as other high added-value products such as chitin or oils.

Other partnerships have been signed since 2015 at a national level, such as:

- the partnership with Peterson for the dismantling and recycling of oil platforms at their Great Yarmouth site in England;
- the partnership with SEB and Eco-Systèmes in France. This partnership creates a complete circular economy loop for household equipment.

Shared value creation models with our industrial clients

The partnership signed with Danone in 2015 was extended for 2 years in 2018. 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. Danone's climate policy is long-term carbon neutrality. The alliance is based on a collaborative approach where shared value creation is created from the pooling of the two companies' skills. This agreement allows Veolia to offer its expertise at all Danone sites, and more generally in the cycles' circular economy, in order to have a much greater effect than they could have achieved individually.

In 2018, Veolia signed two partnerships based on this same shared created value model:

- a three-year partnership contract with Unilever, which aims to develop a plastic circular economy in different regions, starting with India and Indonesia. Veolia will work with Unilever to implement used packaging collection solutions, increasing recycling capacity and developing new economic processes and models;
- a partnership contract with Tetra Pak which aims to allow recycling of all used food cartons collected in the European Union by 2025. This involves developing a PolyAl recycling solution which is both environmentally and financially sustainable, in order to improve collection, as well as the associated technologies and processes.

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 Île-de-France, Lyon, Toulouse, Bordeaux and Mexico (see Section 6.3.3.3.1 below). In partnership with Ennovent, the Group launched "Pop-Up India" in 2018, an incubator to respond to the challenges linked to access to essential services, solid waste management and compost recovery in India.

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".

A project with Elise continues to create socially-inclusive jobs for individuals with disabilities and/or professional reinsertion difficulties, offering companies more extensive handling of their office waste.

In Australia and New Zealand, the North West Waste Alliance joint venture created in 2016 is a partnership between Veolia and Our Country, a 100% Aboriginal Australian company, in the field of waste recycling and energy efficiency. The partnership prioritizes local employment and the use of local subcontractors. It is based on the willingness to combine aboriginal and Western knowledge to create shared value.

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 risks facing a certain level of political, economic or social instability. This can have impacts on the Group's business development (see Chapter 5 above regarding risks linked to the environment in which the Group operates).

This diversity 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 and appeal*. 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 and innovation and entrepreneurship support systems, the Group plays a leading role in local employment and development.

As part of its sustainable development commitments (see Section 6.1 above), Veolia has made commitment 5 to *Contribute to local development and appeal*. It has set a 2020 objective of continuing to reinvest a high proportion of expenditure in the regions (above 80%), and 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.

Mr. Claude Laruelle, Chief Financial Officer, sponsors this commitment at the Executive Committee.

The sustainable development of the regions also involves the creation of environmental value. Veolia drives innovation in key areas for the green economy (water, waste and energy services). It supports its clients, helping them reduce their consumption of natural resources and carbon footprint and protect the environment and biodiversity more effectively (see Section 6.2 above).

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 commitment.

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 access to services. Veolia also supports innovation and entrepreneurship as close as possible to local social issues.

Reinvesting locally

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 contribute to local development, economies and human potential.

In 2018, as part of its commitment to sustainable development, *Contribute to local development and appeal*, Veolia locally reinvested 85.7% of its spending in local regions in major countries[1], in line with its 2020 objective to keep it above 80%.

	2016	2017	2018	2020 objective
Percentage of spending reinvested locally	84.8%*	85.4%**	85.7%	Maintain the percentage of spending reinvested locally above 80%

* *These geographic areas accounted for 68% of Group revenue in 2016.*
** *These geographic areas accounted for 70.6% of Group revenue in 2017.*

Supporting innovation and entrepreneurship

Veolia's involvement in regional economic development is reflected through its support for innovation and entrepreneurship.

Various economic partnerships are in place with local players and stakeholders (see Section 6.3.2 above).

There are support measures for innovation and business creation with the Veolia Innovation Accelerator (VIA). This innovation program identifies, assesses and supports the integration of innovative external solutions that add value to Veolia's services, create new services or better manage environmental risks. Veolia thereby positions itself as a technology integrator, identifying and assessing pioneering cleantech start-ups and rolling out the most innovative of these technologies.

(1) Germany, Australia (excluding Energy), United States & Canada, France excluding Energy France (Corporate, France Water excluding capsules and SEM, RVD, SADE, SARP, SARPI, SEDE, VIGS and VWT), the United Kingdom/Ireland, Poland, the Czech Republic, Japan, China (excluding JV and Hong Kong) and Mexico. In all these countries, the VWT activity is taken into account in the calculation if it is represented. These geographic areas accounted for 73.5% of Group revenue in 2018.

The "Pop Up by Veolia" Social Open Innovation program

Processes are in place to encourage local social entrepreneurship. Launched in 2014, "Pop Up by Veolia" is a Social Open Innovation program. It encourages the emergence and growth of entrepreneurs with the potential to have a significant local social impact, by supporting social entrepreneurship incubators, and it helps develop collaborations between Veolia and these entrepreneurs.

Globally, Veolia has formed partnerships to reinforce and measure the impact of this Social Open Innovation program. This is the case with Ashoka, the leading global social entrepreneurship network operating in 80 countries, with the ESSEC Social Entrepreneurship and Innovation Chair and Ticket for Change.

Locally, Veolia works with social entrepreneurship incubators to detect, select and support social start-ups with a high potential impact. These partner incubators play several key roles: their local position allows themed calls for projects to be successfully circulated in the region, and their support program allows the genuine organization of entrepreneurial projects thanks to coaching, training and networking. Supported entrepreneurs benefit from the support and expertise of Veolia employees to jointly create innovative projects and solutions with different local players (public authorities, citizens, entrepreneurs, social entrepreneurs).

The "Pop Up" program was deployed in 2018 in 10 regions in France, India and Mexico. By the end of 2018, 91 social companies have been supported, and there were 14 collaborations between these entrepreneurs and Veolia.

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 and launched L'Oasis in Niamey in January 2018. This organization supports the economic integration of women through entrepreneurship, and raises awareness of sustainable development challenges.

It is a unique location, supported by the Veolia Foundation and its subsidiary, Société d'Exploitation des Eaux du Niger, dedicated to the social economy and responsible economy. L'Oasis was inspired by La Recyclerie, an innovative location in Paris which is dedicated to eco-responsibility. Veolia has been a partner since its launch in 2014.

Convinced that entrepreneurship is a powerful driver for female emancipation and their involvement in community development, training, leadership and network development programs have been put in place for female entrepreneurs. In 2018, L'Oasis trained 686 women, organized 98 awareness events and nearly 2,500 people took part in the proposed activities.

Contributing to regional resilience

Veolia is committed to contributing to regional resilience, by helping, at its sites, the regions meet the physical, climate, economic and social challenges facing them. It achieves this through international and local actions, in conjunction with local authorities.

Veolia contributes to the fight against climate change, which is a major resilience challenge at international level. The Group helped prepare and stage the COP21, the 21st international conference of the United Nations Framework Convention on Climate Change (UNFCCC), which took place in Paris in December 2015, as well as the COP22, the COP23 and the COP24.

Following its publication on the theme of "resilient cities", the Veolia Institute organized a conference to discuss new challenges which regions are facing (see 6.3.2.3 above).

Veolia is also a partner of 100 Resilient Cities. This initiative by the Rockefeller Foundation aims to help 100 international cities to become more resilient to social, economic and physical challenges. Veolia shares best practices, guides and assesses water, energy and waste management infrastructures to support cities with their urban planning. This aims to transform resilience problems into environmentally-friendly urban and economic development opportunities.

At the end of August 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 2017 and 2018, Veolia supported players in the Milwaukee region to define and implement a resilience strategy. In Lebanon, Veolia has helped create a resilience plan in the city of Byblos. Veolia has also held workshops in Cali, Colombia following the 2017 flooding, and in Montevideo, Uruguay regarding waste management. Veolia employees have also taken part in workshops in 2018 in Cape Town, South Africa, regarding water stress issues, and Addis Ababa, Ethiopia, on the social economy.

Developing "smart" digital solutions

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, the Smart Monitoring Centers for Veolia's business lines – Water, Energy and Waste – enables teams to monitor and exploit data in real time to optimize resource management for municipal, commercial and industrial clients. Hubgrade covers three primary areas to guarantee top-notch expertise: organization, digital systems and smart services. In 2018, Veolia has over 20 operational Hubgrade centers in the tertiary and commercial sectors: in France, Spain, Italy, Hungary, the Netherlands, Belgium, Sweden, the United Kingdom, Ireland, the United Arab Emirates, China and Australia. By setting up these centers, Veolia can transfer data recorded by millions of sensors relating to its activities to optimize resource flows in cities, buildings and industrial sites. Hubgrade allows Veolia to measure progress, accelerate its customers' performance research and limit pressure on resources.

Nova Veolia relies on innovation and digital technology to reinforce the performance of services in the city and offer new solutions to citizens. This digital approach involves using new technologies as a driver for Group business, to make the city more connected and efficient in managing its resources. By investing in a digital business ecosystem, Veolia supports the innovation and transformation of urban services, taking their specific features into account to co-create their own vision of a smart, inclusive city which is a great place to live. As an example, smart water meters deployed

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by the company Birdz 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 Fastoche application created by Payboost informs its users of social welfare to which they are entitled, and calculates their "Disposable Income", while HomeFriends allows citizens to track their actual drinking water consumption and compare it to similar households.

Measuring its local socio-economic footprint

In 2018, Veolia conducted a study of its socio-economic footprint[1] in France with the consultant, Utopies, to measure how value creation is shared. This study draws on the LOCAL FOOTPRINT® model, based on the macro-economic concept of "Input-Output" tables (sources: EUROSTAT, BEA and INSEE), whereby the economy is modeled using the national accounts.

This study sought to quantify the impact of a company's activities, over and above any direct effects such as the payment of employee salaries, direct purchasing expenditure and taxes. Indirect impacts cover the full supplier chain, including salaries and taxes. These then feed into induced impacts (household consumption and public authority expenditure).

The study produced the following results for the France scope:

	Multiplier	Direct impact	Direct impact	Induced impact
Impact on employment *(in Full Time Equivalent)*	3.75	44,000	42 000	79,000
= x 3.75 jobs: additional 2.7 FTE supported by 1 direct FTE				
Impact on wealth generated *(in € billion)*	2.94	€3.3	€2.6	€3.8
= x €2.94: €1 of added value generates €1.94 of additional wealth in the French economy				

Veolia's activities in France support over **165,000 full time equivalent (FTE) jobs,** that is 0.6% of the population in employment in 2017.

These activities generated **GDP** (Gross Domestic Product) of €9.6 billion in France, some 0.4% of 2017 national GDP.

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 Group currently has 171,495 employees and acts as a responsible employer and a creator of business growth and social solidarity (employment, training and the local economy) in the regions where it operates, through:

- making work-study contracts a priority in external recruitment. The Group is convinced that work-study schemes are an excellent way of acquiring skills, in particular under apprenticeship and professionalization contracts (2,670 trainees in 2018);
- its insertion actions through economic activity, in coordination with the Veolia Foundation and in partnership with insertion organizations such as ADIE, Unis-Cités, Elise, Espaces, Tremplin and Actavista (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 "Cap au Nord entreprendre" associations, etc.;
- a diversity policy and actions: fighting discrimination, supporting the employment of individuals with disabilities (see Section 6.4.5.3.2 below);
- a policy of openness towards training sectors (schools, universities): hiring of student interns (3,610 in 2018), *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 2017-2019 Reconciliation Action Plan (RAP) in Australia aimed at Aboriginal people, collaboration with local subcontracting agencies for employment-based inclusion in Nangloi, India, and with the French Embassy in Argentina for the "Barrio 31" initiative, which aims to help people living in this Buenos Aires district to get into work.

Support for the transition to work and creating social cohesion

The 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

(1) *This study was performed based on 2017 data for the purchasing and human resources sections and 2016 data for the taxation section due to data availability. The study scope only covers Veolia Eau, Veolia Propreté, SADE, SARP, SARP Industries, OTV and SEDE Environnement.*

initiatives and structures that encourage the return to work of people outside mainstream society (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:

- **Adie**, an association which funds, coaches and supports micro-entrepreneurs who do not have access to bank loans;
- **Espaces**, an urban ecology integration association;
- **Elise**, design of training courses in intensive organic urban farming techniques;
- **Actavista**, a historic heritage renovation integration and training course;
- **Tremplin**, for green jobs and recycling;
- **Philharmonie de Paris** (Cité de la musique), with which the Veolia Foundation has continued to promote cultural activities in 2018

Since 2005, the Veolia Foundation has also supported the Unis-Cité association which offers young people aged between 18 and 25 conducting their voluntary civic service the opportunity to work on projects involving the fight against exclusion, the restoration of social bonds and environmental protection. The Médiaterre program supported by the Foundation seeks to provide low-income families with support in changing their behavior by teaching them eco-friendly gestures to reduce their waste, control their water consumption and reduce their bills.

In addition to these historic partnerships, the Veolia Foundation supports a number of organizations each year which launch local initiatives, supported by a Group employee sponsor.

Lulu dans ma rue: a local caretaking and maintenance service

The local caretaking service, Lulu dans ma rue, puts those seeking occasional services (minor DIY, deliveries, materials handling, pet sitting, IT assistance, babysitting, etc.) in contact with the relevant service providers. Supported since 2014 by the Veolia Foundation (experimentation phase, opening the first service in Paris in 2015, then development), the association now operates *via* 11 meeting points (five kiosks and four in-store stands. The economic activity is now well-established. It generates an income for the 'Lulus', and it improves the employability of people who were previously outside the job market). Lulu dans ma rue has 320 active 'Lulus' working with 17,000 customers. The kiosk has also been recognized as a significant driver of activity in the local area. There have been many requests to open kiosks in other cities in France (Brest, Bordeaux, Toulon, Lille, Grenoble, etc.).

Extramuros: Upcycling to get back into work

Created in 2007 with the support of Veolia and its Foundation, the company Extramuros is located in Gennevilliers, in a facility next to a Group waste sorting center. Extramuros designs, manufactures and distributes furniture and accessories to companies who are concerned about sustainable purchasing. Alongside qualified insertion professionals, the company recruits, trains and supports people excluded from the job market to help them to independently get their career back on track long-term. This project has achieved success again, after it was selected on November 14, 2018 to produce furniture for the Kinnarps catalog, a European leader in office furniture.

Acta Vista: build to rebuild

Located in Marseille, the Acta Vista association, a subsidiary of the SOS group (a leading European social company) promotes the protection and restoration of exceptional sites to encourage professional reintegration. Supported by the Veolia Foundation since 2008, Acta Vista holds professional 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. Currently, Acta Vista employs and trains over 350 people a year through an integration contract, with a third under 26, 92% of employees qualified at the end of the course and over 60% finding a job.

Life Project 4 Youth (LP4Y): training centers in India for extremely vulnerable young people

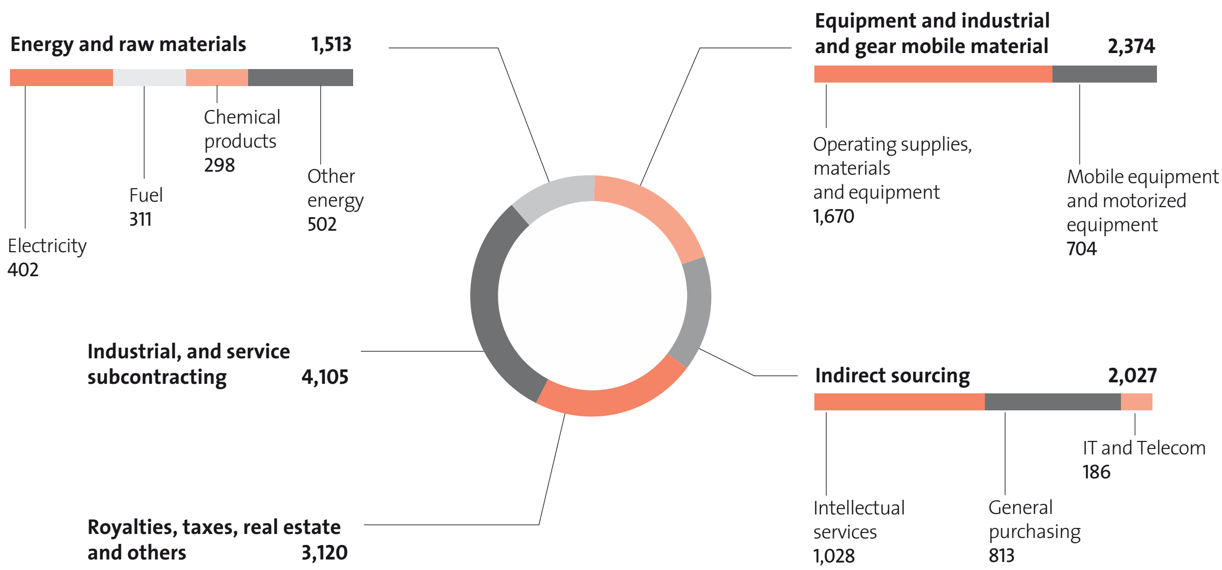
After the Philippines, Indonesia and Vietnam, Life Project 4 Youth has opened eight Life Projects Centers in India. These entrepreneurship training centers allow extremely vulnerable young people to integrate socially and professionally by creating a micro-business. After supporting the renovation of the Pahar Ganj center in New Delhi in 2016, the Veolia Foundation has renewed its support in 2018, with Veolia operational teams in India also playing a key role in projects.

In 2017 and 2018, the Foundation underlined its support to reintegrate people most alienated from society. Through **Emmaüs Défi**, the Veolia Foundation has supported the creation of a furniture charity bank to provide low-cost furniture to people leaving temporary accommodation. Through the **"French-Armenian professional training center"**, it helps train plumbers in Erevan, Armenia.

In 2018, the **Veolia Foundation** also supported many associations and companies working to help the most disadvantaged transition to work and to improve neighborhood social cohesion, including Pagabags, l'**Institut Télémaque, Créaquartier, Solinum, and Oasis Jardin de Cocagne**.

6.3.3.3.3 Establish responsible relationships with our suppliers

Total 2018 external spending[(1)] in € million



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 the Group's equipment and installations. 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. They are mainly sourced from subsidiaries of international suppliers.

Veolia's **sustainable purchasing policy** is based on three principles, measured with indicators.

	Monitoring indicator	2016	2017	2018	2020 objectives
1/Engaging our suppliers	Share of active contracts including sustainable development clauses	59%	57%	63%	80%
2/Evaluating their CSR performance	Share of strategic suppliers evaluated in the past three years	49%	48%	55%	70%
3/Contributing to local development	External spending on the protected and adapted sector in France	€7.3 million	€8.8 million	€9.6 million	Not applicable

* *In 2016 and 2017, a strategic supplier is rated A when it has 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.*
In 2018, a strategic supplier directly contributes to Group strategy, has a critical role in Veolia industrial processes (industrial equipment, production energies, chemical products, mobile equipment and major telecoms & IT operators). This 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.

Group supplier adhesion to the new Supplier Charter "Our basic principles for supplier relations", and Veolia CSR commitments constitute some of the criteria for selecting and evaluating suppliers (see veolia.com):

- the Supplier Charter is always sent during consultations and included in certain Terms and Conditions of Purchase. It helps engage and make suppliers accountable regarding Veolia purchasing principles and processes;
- in order to prevent risks linked to compliance with ethical rules, social 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;
- as part of an ongoing improvement initiative, we ask suppliers to consider our recommendations after evaluations, to implement corrective action plans if needed and to involve their own suppliers and subcontractors in this approach.

(1) *The total spending corresponds to the sum of external spending. Excludes Energy entities in France, Kurion (except Asteralis), the new Waste activities in the Nordic countries, Niger, as well as the France Water capsules, the SEM entities, the international entities of Veolia Industries Global Solutions and SADE, and the joint ventures.*

At the end of 2018, 63% of active contracts in the Group's supplier contract database included a sustainable development clause (57% at the end of 2017). 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 (corruption) criteria consistent with the Group's Risk, Insurance and Internal Control Coordination Department's risk mapping.

This mapping allows buyers to identify, analyze and rank strategic suppliers and/or suppliers in the most exposed categories. Consequently, buyers can launch the required risk management actions (evaluations, supplier monitoring, corrective actions, site visits, etc.).

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.

- Over the past three years, evaluations have covered 55% of the Group's strategic suppliers.
- Veolia and its Purchasing Departments have also regularly evaluated over 185 local suppliers.

Contributing to the development of the local economy

As part of the Water business partnership with the GESAT network[1] and in collaboration with Eau France (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 2018, expenditure for purchases from the protected workers sector (excluding VAT) rose again to €9.6 million (France scope) thereby contributing to the creation of stable jobs for disabled persons, in particular, in the waste recycling sector, and therefore the protection of natural and energy resources (material recycling, decrease in water and energy consumption, etc.).

Furthermore, a key indicator for this commitment is used to measure the weight of the expenditure 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 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.

Savings linked to Energy Savings Certificates (ESC)

Created by the POPE law in July 2005, the energy savings certificate system requires energy suppliers (electricity, fuels, gas, etc.), known as "regulated operators", to implement actions or support programs aiming, in most cases, to encourage consumer energy savings (individuals, professionals, public authorities). The different regulated operators set objectives based on total sales over 3-year periods. At the end of each period, they must hold an ESC amount equivalent to their obligations. If not, they are financially penalized. A regulated operator has the option to carry out actions itself, delegate projects or purchase ESC from other stakeholders.

Within the France scope, the Veolia Purchasing Department is involved voluntarily in this 4th period and actively promotes energy efficiency with energy consumers, both for its own uses and that of local authorities, professionals or households.

This action plan helps:

- raise operator awareness to anticipate equipment renewal;
- sustainably reduce energy consumption and increase efficiency;
- make savings in energy purchases and equipment purchases;
- systematize ESC collection and recovery.

(1) GESAT: Association created in 1982 to promote the protected and adapted employment sector and support economic players in their relations with this sector.

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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:

- energy saved: adjusted cumulative > 389 GWh;
- €1.6 million in ESC bonuses since 2017;
- over 125 cases eligible for the energy savings certificates system.

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 above), Veolia acts to provide and maintain the services crucial to health and development.

Through its business, close ties with local communities (see Section 6.3.2.3 above) and its significant regional presence (see Section 6.3.3.3 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 95 million people, wastewater treatment services to nearly 63 million people, waste collection services to 43 million people, and supplies heating to close to 8.4 million people worldwide[(1)].

The calculation of the number of people with access to sanitation follows the same principle, by using the capacity of wastewater treatment plants in equivalent number of inhabitants when the collection of wastewater is done by a third party.

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.

As part of its sustainable development commitments (see Section 6.1 above), Veolia has made commitment 6 to *Supply and maintain services crucial to health and development*. This commitment reflects Veolia's desire to contribute to the United Nations Sustainable Development Goals and to the collective effort to ensure access to sustainable services.

Mr. Régis Calmels, Senior Executive Vice President Asia, sponsors this commitment at the Executive Committee.

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 9.6 million people with access to drinking water and 4.4 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 3.9 million people with access to drinking water, and 1.8 million people with access to sanitation services. In 2018, 1.1 million people gained access to drinking water and 820,993 to sanitation[(2)].

	Since definition of the MDGs (2000)	Since definition of the SDGs (2015)	2020 objective
Population with access *(in millions of people)*	• to drinking water: 9.6 million • sanitation: 4.4 million	• to drinking water: 3.9 million • sanitation: 1.8 million	Contribute to the United Nations Sustainable Development Goals, in the same way as we contributed to the Millennium Development Goals

(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.

(2) 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 the United Nations. 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 2018 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.

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.

In 2017, Veolia launched a drinking water and electricity supply offer for people living in suburban and rural Africa with its partner Odial Solutions. In Sub-Saharan Africa, 400 million rural inhabitants do not have access to drinking water. The idea of the partnership is to offer global delegation contracts to supply water and electricity, taking into account a city and the surrounding rural areas, therefore crossing the territorial divide. This model requires low financial effort by the urban zones, and through price equalization between local residents, it makes the cost of a liter of water and a kilowatt hour more accessible to rural populations. This joint action by Veolia and Odial Solutions underlines the two groups' commitment to the Sustainable Development Goals (SDGs). More specifically, it responds to the objectives "Clean water and Sanitation" (SDG 6), "Affordable and clean energy" (SDG 7) and "Partnerships for the goals" (SDG 17).

Since 2018, Veolia has been a member of the Toilet Board Coalition, a multi-stakeholder platform (see Section 6.3.2.3.3 above) which aims to provide access to sanitation for as many people as possible (SDG 6) This platform connects multinationals, entrepreneurs, public institutions and NGOs to develop initiatives and solutions to boost the sanitation economy and significantly impact this market and society. The collaboration between Veolia and the Toilet Board Coalition relates to the deployment of decentralized solutions in addition to the existing systems, to develop access to toilets, and improve the performance of centralized systems.

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 human 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 ten sections in three fields:

- 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.

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 *Eau pour tous* (Water for All) solidarity program enables public authorities to open up local community initiatives to all service users. It is designed to complement social or fair pricing and combines three types of assistance:

- emergency solutions to maintain access to water services by offering different forms of financial assistance appropriate to the individual's situation, such as payment schedules, debt write-off and water vouchers;
- support services to help people manage their budgets and water consumption and budget in the long term;
- prevention solutions to alert them to unusual over-consumption.

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 €2.5 million[1] of emergency aid to be made available through housing solidarity funds and the allocation of water vouchers (or a personalized support voucher).

In China, Veolia has implemented social assistance systems for the most vulnerable groups. They are offered preferential or free rates

(1) 2017 data available to date.

for drinking water but also maintaining heating facilities. Nearly 20,000 households have benefited from these schemes, including low-income households, isolated individuals and disabled people.

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. Due to their irregular income, it is often difficult to pay a monthly water bill. 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 in Niamey, Niger with Société d'Exploitation des Eaux du Niger customers using 200 meters. In 2018, 1,300 additional meters were installed, covering 10,000 people. By 2020, 100,000 people could benefit from the service through 10,000 connections.

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). In 2018, Veolia took part in organizing a national day "Digital revolution and public services: working together for inclusive digital" and held the event at its premises in Aubervilliers. This event brought together over 200 participants (experts, institutions, representatives from major companies and public service operators, social mediation stakeholders) to underline the need for a unified approach bringing together public, private and non-profit players to allow everyone to access digital and public services.

Socias Gestoras program (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 payment, 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.

In addition, acknowledgment of the informal sector in the implementation and maintenance of essential services, specifically for waste collection, is a major challenge for the Group (see Section 6.2.3.3.2 above).

6.3.4.3.3 Take consumer health and safety measures

Veolia provides drinking water to 95 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 2018, the rates of conformity to regulations of the 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
Compliance rate with local regulations and distributed water contractual requirements	Bacteriological parameters	99.7%	99.7%	99.8%
	Physicochemical parameters	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.

Please also see Chapter 5, Section 5.2.2. above, Operational risks.

6.3.4.3.4 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, water treatment services or electricity is one of the ways that Veolia is actively committed (see Section 6.3.4.3.2 above).

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. There were nine Veoliaforce missions in 2018, representing 220 man-days of skills patronage.

Emergency humanitarian assistance

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.

Veoliaforce assignments in 2018

A long-term partner of the **French Red Cross**, the Veolia Foundation supports the NGO through various humanitarian assistance projects, specifically by reinforcing the skills of national sister companies.

In March 2018 in **Erbil, Iraqi Kurdistan**, a region which has received tens of thousands of displaced people, two Veoliaforce volunteers from the Veolia Foundation spent nearly three weeks training members of the **Iraqi Red Cross** in how to use emergency water supply solutions (Aquaforce). The objective is to create an independent task force able to react in the field depending on requirements, by deploying these Aquaforces with the public.

A partner of the **UNHCR**, the United Nations Refugee Agency, the Veolia Foundation took action in March 2018 in **Mbera, Mauritania,** to study the water network in a refugee camp on the border with Mali, which was suitable for transitioning to solar energy for long-term power.

In this refugee camp, which hosts tens of thousands of people, a progressively installed drinking water network uses thermal energy. Following a successful assignment of the Foundation five years ago where Veoliaforce volunteers worked on a hybrid power system to produce and distribute drinking water at a refugee camp in Ethiopia. Two Veoliaforce volunteers visited Mauritania to identify the technical conditions to transition to solar energy.

On September 28, 2018, **Indonesia** was hit by an earthquake followed by a tsunami. On the island of Sulawesi, the **city of Palu** (350,000 inhabitants) and its region were particularly affected, with over 2,100 deaths and nearly 212,000 people displaced, according to the UNICEF report. The risk of epidemic made it essential to use water purification equipment. Two Veoliaforce experts, joined the French civil security detachment appointed by the French Ministry for Europe and Foreign Affairs in Palu. Over 15 days, they trained the Indonesian Red Cross emergency teams in how to use and maintain the two emergency purification stations.

In **Bangladesh**, where hundreds of thousands of Rohingya refugees have fled along the Myanmar border, the Veolia Foundation supported Médecins Sans Frontières (MSF) in October 2018 to provide water to the Kutupalong-Balukhali camp.

In March 2018, the Veolia Foundation installed an Aquaforce 15000 (capacity for 15,000 people) in **Uganda** for the first time to supply a refugee camp. With its partner MSF, it successfully tested the latest product in a range of mobile emergency water treatment units designed by the Foundation.

In November 2018, the Veolia Foundation, a partner of Solidarités International, took action in **Rakhine State** in the south-west of **Myanmar**, where nearly 95,000 Rohingyas have been displaced and now live on the outskirts. Two Veoliaforce experts installed an analysis laboratory and trained local teams to optimize use of the sanitation system, which can extract and centralize sludge from 4,000 public latrines distributed across refugee camps.

Multi-year partnerships

Through its partnerships, the Veolia Foundation supports associations involved with humanitarian assistance and emergencies. One of its major partnerships is with **MSF**: it supplies Veoliaforce experts to provide support for its Research and Innovation projects for humanitarian issues which reflect Veolia's business lines. With **Doctors of the World**, it works to prevent health and environmental risks incurred by dismantlers in Manila. 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. In 2018, the Foundation formalized a cooperation agreement with the NGO **Solidarités International**. The objective is to improve the response of the NGO's West and Central Africa regional offices to emerging crises.

Support for development aid projects

Because Water, Waste and Energy management are the Group's three business lines, the Veolia Foundation naturally works alongside other stakeholders to temporarily respond to essential needs in the event of a crisis or deploy long-term solutions in regions without a suitable infrastructure.

Combating cholera in the Democratic Republic of the Congo through rehabilitation and development of the water distribution network

The Foundation has been committed to a global strategy to combat cholera in the **DRC** since 2007. After establishing a link between the spread of the cholera epidemic and poor access to drinking water, significant rehabilitation and development work on the water distribution network was carried out in Uvira in October 2017. In 2018, Veolia monitored and delivered works: network, production capacity… More than 200,000 habitants of this city in the Sud-Kivu province, will ultimately benefit from stabilized access to drinking water. Thanks to the Veolia Foundation contribution, the AFD has renewed its funding of €10 million for 2019.

Access to sustainable energy in Cameroon with the Cameroon local female politicians network (REFELA-CAM)

Despite its energy potential, in **Cameroon** only 27% of households have access to electricity. Faced with this finding, the Cameroon local female politicians network (Refela-CAM) - a non-political and non-profit organization which brings together thirty female mayors from ten regions in Cameroon - works to implement pilot actions on sustainable energy in Cameroon through the "Women and sustainable energies in Cameroon" program (FEDACAM). The Veolia Foundation has supported this unique initiative since its launch in 2016, with the assistance and technical expertise of local Veolia operational teams. A spin-off of this innovative project could benefit hundreds of thousands of Africans over time.

In 2018, the Veolia Foundation also supported projects in **Congo-Brazzaville** to restore a gravity-fed drinking water supply system, in **Kenya** to help create a Water and Health center in Baringo, in **Bulgaria** with the NGO Eau et vie, to ensure long-term access to water and sanitation in the slums around Sofia, and in **Mali** to create a mini-network of five standpipes.

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 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).

To accompany the roll-out of its policy, the Group's Human Resources Department has set up an integrated organization to serve Veolia's strategy.

Through its "Social Initiatives" approach, and working with all Group companies, the Group's Human Resources Department regularly identifies best practices. Using this approach, it is possible to identify the actions conducted in coordination with human resources priorities, to enhance them and to promote their use beyond their region of origin. The end result is a Social Initiatives Awards ceremony that recognizes initiatives in preventive health and safety, skills and talent development, social equity and diversity, human resources and business development, operating performance and social commitment. A publication entitled "Social initiatives in 2017: Innovation and cooperation, driving performance", presents more than 90 social initiatives from 43 countries, selected from 340 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: 171,495 (√) employees as of December 31, 2018[1]

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Geographic breakdown and change in the workforce over three years

	2016	2017	2018	2018-2017 change
Europe	113,664	112,701	115,829	+2,7%
• Including France	50,480	50,337	50,849	+1%
North America	8,841	8,593	8,138	-5,3%
Latin America	12,275	12,441	13,409	+7,8%
Africa – Middle East	12,686	12,375	10,968	-11,4%
Asia – Oceania	15,760	22,690	23,151	+2,0%
TOTAL WORLD (√)	163,226	168,800	171,495	+1,6%

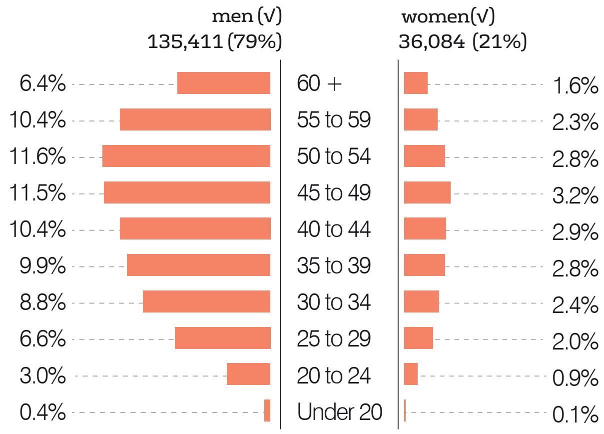
As of December 31, 2018, the total workforce was 171,495 employees, compared with 168,800 as of December 31, 2017.

In 2018, the workforce increased by +2,695 employees, or +1.6%, due to:

- an increase (excluding inter-company scope impacts and changes in consolidation method) of nearly 11,800 employees as a result of acquisitions, new contracts and/or business development. The main increases are:
  - in Europe, 6,000 employees, in the new Waste activities in Germany, Sweden and the Netherlands,
  - in Asia, more than 1,400 employees in the Water, Energy and Waste activities,
  - in Latin America, 1,400 employees, under the water contract in Chili and the development of waste activities in Colombia,
  - in North America, 900 employees, in Global and Energy activities;
- a decrease (excluding inter-company scope impacts and changes in consolidation method) of nearly 9,100 employees. This decrease is due to entity disposals, employee departures and lost contracts. The main decreases are:
  - in Gabon, 2,000 employees following the termination of the contract by the Gabonese government,
  - in Europe, 1,500 employees,
  - in the United States, for industrial services activities, representing 1,000 employees,
  - in Asia, 700 employees in Water activities.

(1) *Excluding employees of the Chinese concessions.*

Workforce by gender and age in 2018 measured in percentage and number



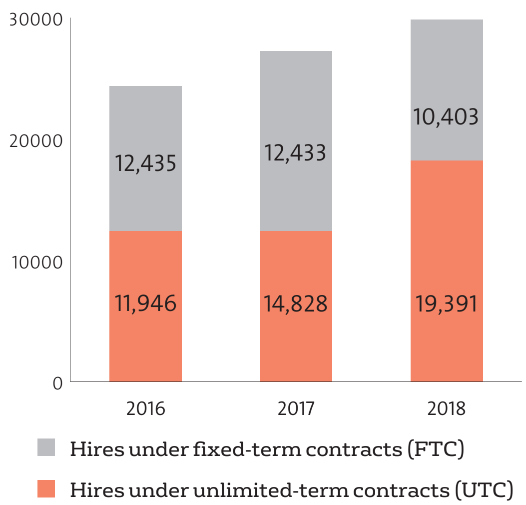
Breakdown of total workforce by type of contract and by category

	2016	2017	2018
Total workforce as of December 31	163,226	168,800	171,495 (√)
Annual full-time equivalent workforce	156,379	160,159	162,740 (√)
Share of workforce with permanent contracts (FTE)	91.5%	91.9%	91.3%
Total managerial staff	12.4%	12.3%	12.2% (√)
Total non-managerial staff	87.6%	87.7%	87.8% (√)

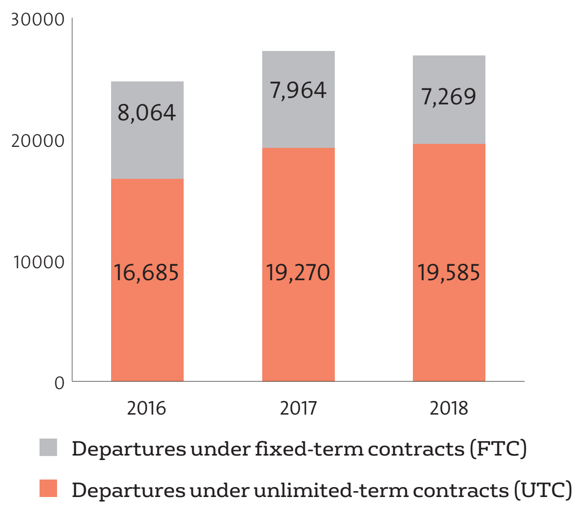
The full-time equivalent workforce corresponds to the number of employees Veolia would have had, if all employees worked full-time throughout the year. It is calculated by weighting the total workforce by both the employment rate and the amount of time worked by each employee. This represents the proportion of employee work.

Hires and departures – Permanent and fixed-term contracts

Number of hires



Number of departures



In 2018, the Group recruited 23,084 employees on the labor market. Veolia recruited 19,391 employees under permanent contracts and transformed 3,693 fixed-term contracts into permanent contracts during the year. Hirings under permanent contracts represented 65% of total external hires, including over 3,700 in France, nearly 2,270 in the United Kingdom, and over 1,150 in Germany. In addition, hires following a market takeover contributed 1,685 employees. The Group also hired 10,403 employees under fixed-term contracts. In 2018, 1,923 employees benefited from internal mobility. Of the total departures recorded by the Group in 2018, 11.5% were the result of individual dismissals and 1.6% followed collective redundancies. 1,845 redundancies were recorded in 2018 following the loss of a contract.

Planned reductions in workforce job protection schemes, and support measures

The restructuring plans implemented in 2018 most often corresponded, after a review of the various alternatives, to a reorganization that was vital for certain business units. These operations are carried out in compliance with legislation and in consultation with labor and management representatives, by giving priority to internal redeployment within the Group.

Accordingly, the departures recorded in 2018, under the voluntary departure plan negotiated for the France Water scope, concerned 185 employees. Moreover, in Germany, a redundancy plan concerned around 90 people.

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, so that they may find a job as quickly as possible.

In addition, in order to adapt employee organizations and skills to economic and social changes, the Group signed a new agreement on the forward management of jobs and skills in France in 2017. This enables changes in business and skills to be anticipated by promoting training and professional mobility.

6.4.3 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 the employees working at Veolia. Sustainably protecting employees' health and safety 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 above, Section 5.2.2.4 regarding risks linked to human resources). The Group is committed to ensuring its employees' physical and psychological integrity 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

As part of its commitments for sustainable development (see Section 6.1 above), Veolia has made commitment 7 to *Guarantee a safe and healthy work environment*. It has set the 2020 objective of achieving or bettering an injury frequency rate of 6.5, calculated as the number of lost time injuries per million hours worked.

Mr. Antoine Frérot, Chairman and CEO, sponsors this commitment at the Executive Committee.

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.

It is built around five pillars:

- involve the entire managerial line;
- train and involve all employees;
- improve communication and dialogue;
- improve risk management;
- monitor health and safety performance.

This process supports the efforts already initiated in this area and involves all employees 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, comprised of some 25 international experts within the Group, proposes prevention, health and safety strategies to the Executive Committee. It coordinates Group-wide projects, creates synergies between the businesses by encouraging the sharing of best practices, and evaluates the results using performance indicators. In addition, 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.

A continuous improvement process

To communicate their involvement and commitment, all management levels regularly conduct safety field visits, so they can discuss best practices and appropriate behaviors with employees.

Moreover, the comprehensive assessment of management performance includes a criterion covering improved prevention, health and safety performance, as does the calculation of the variable portion of manager compensation, based on quantitative and qualitative criteria.

Security policy

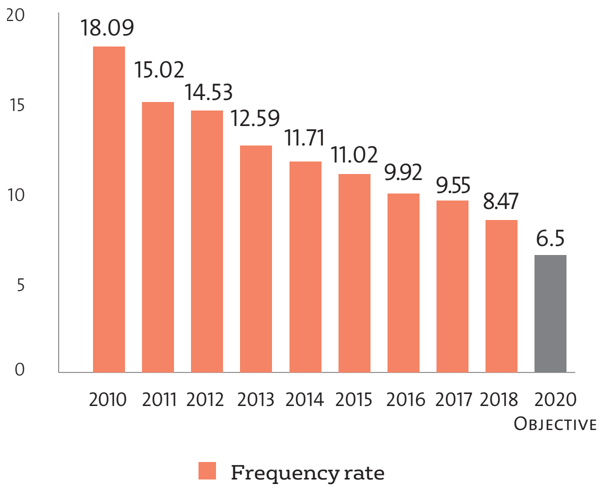
To ensure the security of Veolia employees, the Security Department has introduced a set of measures and procedures covering their temporary or permanent international assignments, particularly in areas that present a high level of security risk, as detailed in Chapter 5, Section 5.2.2.4 above.

6.4.3.1.3 Actions and results

A constantly falling frequency rate

Since 2010, the frequency rate (corresponding to the number of lost-time accidents per million hours worked) has significantly improved. The rate is constantly falling: 18.09 in 2010 to 8.47 (√) in 2018.

Trend in the injury frequency rate since 2010



A structured management system

The prevention, health and safety management system is based on three components:

- risk mapping as near to grassroots work situations as possible;
- an analysis of the causes and circumstances of accidents, near misses and occupational diseases;
- security audits and the monitoring of action plans.

Annual progress reports are submitted to the Executive Committee in order to verify that the actions conducted fit with the Company strategy.

In this respect, after an analysis by the health and safety center of excellence of past Veolia incidents, accidents and fatal accidents, a list of high-risk activities common to Veolia business lines was drawn up. Center of excellence members defined priorities to produce standards from internal and external best practices. The first five ones were deployed in 2016. In 2017, the members of the health and safety center of excellence drafted five new standards for high-risk activities, involving internal stakeholders in this process. A roll-out plan was then communicated during the International Health and Safety Week.

In addition, Veolia has set up structured and determining prevention processes based on standards such as ILO OSH 2001 and OHSAS 18001. Every year, entities are certified, labeled or recognized worldwide for their procedures in prevention, health and safety.

A joint commitment

Stronger prevention and accident analysis are essential components of labor relations. As a result, 13.1% (√) of the agreements signed in 2018 covered prevention, health and safety.

In Europe, this commitment resulted in the signature in 2012 of a letter of undertaking between management and the employee representatives on the Group's European Works Council. This commitment ensures the consistency of site initiatives in each European country where Veolia operates. The structural themes of this joint commitment include the systematic analysis of accidents, strengthened prevention in occupational health, including factors relating to hardship, and improved social dialogue on health and safety topics.

On-site prevention actions

In 2018, nearly 59% of Veolia employees received safety training, and nearly 44.8% of training hours were devoted to safety.

Suppliers are also expected to take steps to guarantee the health, safety and well-being of their employees 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.

Safety audits of the facilities are carried out before operations commence to detect any risk situations and propose corrective measures. The Group's facility design and building activities incorporate risk prevention mechanisms as far upstream as possible, in order to eliminate risk situations and guarantee the health and safety of future operators. In 2018, nearly 130 audits or visits were conducted on site.

Innovative local occupational health and safety practices have also been identified and shared across the Group. Several of these practices were recognized with "Social Initiatives Awards", underscoring the inclusion of health and safety aspects in the corporate human resources and social policy.

Analysis to prevent risks

The Group is particularly attentive to employee awareness and the monitoring of near misses.

Veolia's Prevention, Health and Safety Department uses the Bird pyramid to prevent accidents. This pyramid illustrates risk situations and accidents across five levels:

- near misses, unsafe acts, unsafe conditions (base of the pyramid);
- first aid injuries;
- medical treatment injuries;
- lost time injuries;
- fatalities.

The analysis of this pyramid can prevent risks upstream. The higher the number of near misses, the higher the probability that accidents will occur. Therefore, by working to reduce the number of near misses the number of injuries will be reduced.

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 2018 edition was "working for a better future"
During this major event, employees, regardless of their country, region or department, can acquire a thorough understanding of risk prevention standards. The 2018 edition helped focus on adoption of the safety management guidelines so that it is known, deployed and applied by all.
It was also an opportunity to reward the children of employees who had actively taken part in the international creative contest "my future challenge" which allowed future generations to work together on an important theme for the Group.
Communication tools (posters, videos, roadmap, and roll-out guide) were made available to help raise employee awareness.
Objective: reduce if not eliminate risky behavior. The resulting international mobilization enabled this week-long event to promote worldwide the people on the ground and to develop over one hundred health and safety initiatives. It also served as a lever for meeting the "zero accidents" global challenge.

Monitoring of temporary staff and sub-contractors

Depending on the specific characteristics of Veolia's businesses, regulatory measures and a cultural adaptation approach are integrated into the management of stakeholders' health and safety within the Group.

Managing sub-contractors operating on Veolia sites and Veolia client sites is a vital component of the overall prevention, health and safety policy.

In this respect, as from 2018, Veolia monitors the sub-contractor frequency rate.

At Veolia Industries Global Solutions, an annual appraisal of sub-contractors is organized in conjunction with the Purchasing Department. This appraisal considers the following criteria: the OHS policy, health and safety management, risk management, OHS action plans, OHS performance indicators and certifications. Companies rated below a certain level can no longer act on behalf of Veolia Industries Global Solutions.

Veolia Water Technologies has rolled-out a booklet on work-site health and safety, explaining the minimum standards in a fun way. The aim of these guidelines is to communicate Veolia health and safety practices and expectations to service providers working on 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 temporary companies. In addition, sub-contractors share accident "safety" alerts with the Prevention, Health and Safety Department when accidents occur in the Veolia global scope.

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 2018, 159 employees had an occupational disease. It should be noted that methods of calculating information on occupational diseases can vary due to differences in local practices and regulations.

Well-being in the workplace

In France, the approach to quality of life in the workplace incorporates procedures to prevent psychosocial risk factors (stress, etc.). Employees are informed of prevention measures, particularly during the presentation of the internal survey results. A training program has been rolled-out for managers designed to assist them incorporate psychosocial risks into their managerial practice.

In addition, this process includes an ergonomic analysis of workstations, the promotion of best practices in health and nutrition, and the fight against alcoholism and drug use. Certain operations offer their employees muscle warm-up exercises before they start work.

The UK has introduced a program that offers a wide range of information sources to raise the awareness of employees and motivate them to take care of their health and achieve a good work/life balance. In addition to providing information, numerous employee initiatives have been rolled-out: medical check-ups, awareness-raising initiatives on the dangers of tobacco or the benefits of a healthy diet, developing a physical exercise program, etc.

The health and well-being approaches are adapted to the context and maturity of the countries where Veolia operates.

Monitoring of health and safety indicators

Using an internal tool, accident data has been compiled on a quarterly basis since 2015. The Group has adopted a single definition of workplace accidents for all countries and subsidiaries, *i.e.* all workplace accidents which resulted in at least one day of absence from work (lost time injuries), excluding commuting.

In 2018, the number of workplace accidents resulting in at least one day of absence from work, excluding commuting, declined more than 10% compared with 2017.

	2016	2017	2018
Work accidents leading to absence from work (excluding commuting)	2,960	2,907	2, 611 (√)
Calendar work days lost due to workplace accidents (excluding commuting) (permanent and fixed-term contracts)	162,745	165,621	142, 694 (√)
Injury frequency rate*	9.92	9.55	8.47 (√)
Injury severity rate*	0.55	0.55	0.47 (√)
Number of employees trained in safety	88,751	94,552	99,403
Number of authorities dedicated to the study of health and safety issues	1,888	1,935	2,004

* *Including the Chinese concession.*

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 38.9 hours (√). This figure is stable compared with 2017.

In 2018, the total number of calendar days of absence was 2,387,127 days (√), including 1,641,172 days of absence for sickness.

Other reasons for absence were mainly workplace accidents and family events. The total number of overtime hours worked was 15,584,693 (√), *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

	2016	2017	2018
Absenteeism rate (excluding maternity and paternity leave)	4.43%	4.11%	4.16% (√)

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 above Section 5.2.2.4 regarding risks linked to human resources).

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

As part of its sustainable development commitments (see Section 6.1 above) Veolia has made commitment 8 to *Encourage each employee's professional development and commitment*. It has set objectives to:

- provide yearly training to over 75% of employees;
- maintain the manager commitment rate above 80%.

Mr. Jean-Marie Lambert, Senior Executive Vice-President Human Resources, sponsors this commitment at the Executive Committee.

6.4.4.2.1 Train and develop skills

Veolia has an ambitious training policy. Veolia's main training challenges are to:

- accompany the Group's strategy;
- support the Group's commercial development and performance;
- continuously adapt skills to increasingly complex activities, particularly through training in new and digital technologies;
- promote career development;
- anticipate the renewal of key skills, notably through work-study training

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 individuals' skills and adapt our skills to the constantly changing requirements of our businesses, through recognized courses that lead to certifications and accreditations, job mobility and career development.

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. The creation of apprentice training centers and degrees such as professional bachelor's degrees or master's degrees are examples of this policy.

Work-study policy

Work-study is a key recruiting tool for helping young workers into stable employment, particularly in France, the UK, Colombia and Germany. Work/study ensures the transfer of knowledge and key skills and develops the resources of inter-generational teams through the network of tutors and mentors.

6.4.4.2.2 Manage careers

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 managerial and human resources process shared by the entire Group

The Group uses the ECHOS process (based on peer reviews of people, organizations and structures) to define individual and collective action plans and link up the challenges faced by the entities, organizational changes, job mapping and the development potential of employees. This approach is based a common methodology shared by the entire Group. It ensures fairness and the sharing of analyses and reinforces the career dynamic within the Group.

Mobility and recruitment tools

An International Mobility Committee	Brings together the human resources development team and the international human resources teams each month.
A career portal	Publishes all job offers in the Group.
A bi-monthly publication	Veolia JobLink traces the latest Group management and supervising jobs presented in the career portal.
A program to attract young talent	The PANGEO program offers young talent under the age of 28 an international experience of 12 to 24 months. It enables Veolia to create a multicultural incubator of employees trained in its various business lines. The program relies in large part on the International Business Volunteers (VIE) contract.

A common model for performance appraisal

In order to ensure managers' objectives are aligned with the Group's strategy and values, a single annual interview process is used for all managers at all our sites worldwide. This document harmonizes criteria and provides a common language to define individual objectives and adapt the Group's strategy. It is also a tool to appraise performance and skills, share the Group's values and identify employee aspirations, development needs, career prospects and the actions necessary to their implementation.

Performance appraisal is based on financial, safety and qualitative objectives and takes into consideration an employee's place in the hierarchy and their position. For managers, some of the qualitative objectives are based on compliance with and dissemination of the Code of conduct based on the Group's founding principles: responsibility, solidarity, respect, innovation and customer focus. Job safety is a priority objective for Veolia. 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.

A common job appraisal tool for all the Group's businesses

Following the Group's transformation and as part of the *One Veolia* project bringing together all the Group's businesses within a single geographic organizational structure, Executive Management decided to introduce a single classification tool for all management positions *(Global Grading System*, designed by the firm Willis Towers Watson).

As of late 2018, 5,000 positions were weighted in absolute and relative value. In 2019, the approach will continue to be rolled out to all management positions.

By positioning the different positions within the organization, this tool enables objectives to be set according to their relative impact, making human resource policies more transparent and fair.

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.

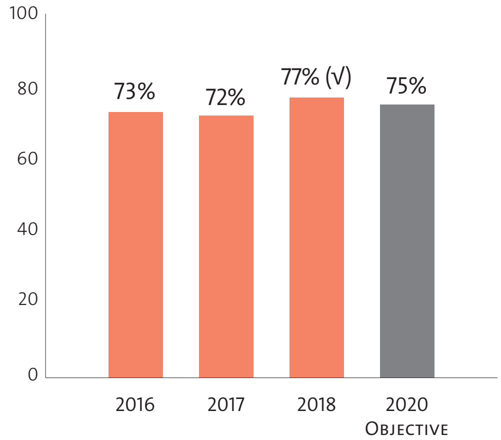
In order to strengthen cohesion and solidarity in the Group's general interest, Veolia established the Manager's Code of conduct in 2012. It is based on the Group's five values: responsibility, solidarity, respect, innovation and customer focus. For each of these values, the Code reflects the Group's collective commitment and the cooperative and individual behaviors expected of managers, which they must promote with their teams.

6.4.4.3 Actions and results

Training indicators

In 2018, 77.2% (√) of employees participated in at least one training course.

Percentage of employees who participated in at least one training course



Change in worldwide training indicators

	2016	2017	2018
Number of training hours effectively given	2,591,151	2,675,375	2,888,774
Average number of training hours per employee	16.6	16.7	17.8

A range of programs was developed by in-house 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; over 82% of training hours are aimed at operators and technicians.

The Veolia Campus network operates in nine countries, has fourteen 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. The purpose of this approach is to motivate employees, increase their employability and allow them to acquire skills, a key competitive asset in a service business. For more than 20 years, this aim has been embodied by the creation of diploma programs dedicated to the Group's activities, at all levels of training offered in the Campus network. The French network offers 18 recognized professional diplomas, ranging from a CAP (certificate of professional aptitude) to a Masters' degree and organized under work-study programs to better integrate trainees within our entities.

The UK Campus offers the possibility of 16 work-study diplomas: 12 diplomas equivalent to the CAP and 4 diplomas equivalent to the professional baccalaureate.

Veolia trains Veolia

Veolia is both the main actor and the Director of its training policy. The Group has various in-house trainers for core business activities and safety. 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.

Educational partnerships

Veolia has deployed an active policy of partnerships with employment and training operators in the regions and a number of educational partnerships.

For example, the UK Campus has drawn up numerous agreements, particularly with the University of Northampton for high-level waste management training and the Institute of Leadership & Management for manager qualification programs.

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 on-boarding 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 emphasized by discussions with professionals, meetings with managers, site visits and brainstorming sessions. In 2018, nearly 640 managers took part, including over 50% international managers from 42 countries, and 38% women.

Relations with schools

Mobilizing and attracting the resources required by the Group is a key priority: Veolia affirms its presence through events focused on environmental businesses, job and work-study fairs, and forums in schools and universities. Programs like the "summer school" and the "Trophée Performance awards" are special opportunities that give international students an opportunity to discover Veolia's businesses and to adapt their course of study to the Group's challenges. The Group is continually developing and expanding its many academic, educational, institutional and research partnerships with professionals in training, counseling, employment and higher education.

The work-study option

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 coalition of companies which works to employ young people and support apprenticeships, with the support of the OECD and ILO.

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. They are offered courses focused on their business lines and specific situations. These training sessions aim to increase the professionalism of local managers and perfect their skills. They are rolled out by the different Group Business Units and countries, such as SARP and Waste recycling and recovery in France and the Sparks program in Poland.

Talent development programs

Veolia Excellence is the training program dedicated to Veolia talent. Sessions are organized in three primary areas: business models, value creation, and team management in a context of rapid and profound change. The program uses innovative training methods, with e-learning sequences, inter-session work and a post-seminar follow-up. It also includes a 360° evaluation that is debriefed by internally trained individuals. Over 120 managers participated in this program in 2018. Other zone programs of this type (*e.g.* Talentos in Latin America) supplement the Group's talent development offer.

Leaders for Tomorrow is a training program for emerging talent in the United States and Canada. The 8-month program includes an appraisal period, individual coaching and a personalized development plan. Trainees complete the program with a project related to the Group's strategy, which they present to the Executive Committee. Nearly 130 future managers have already been trained.

Executive development programs

The Executive seminar prepares individuals for corporate management by working on a changing world and its impact on our current and future activities, and the ability to carry the values of corporate social responsibility. It is based on four study trips spread over one year and offers training conferences, the discovery of Veolia activities and numerous visits to external companies.

Programs to train managers in specific challenges

A mobile training program covering all functions has been 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.

The ACCELERATE! program was rolled-out jointly by the Information Systems Department and the Human Resources Department. It enables international managers to strengthen their network within the Group. It also provides an opportunity to develop their managerial and leadership skills and better understand changes in their business/sector through digital technologies and agile working methods. ACCELERATE! offers an opportunity to learn more about digital technologies and understand and develop the necessary interactions with the Group's businesses, to become the business partner of other Veolia players and to see the bigger picture in order to better anticipate future challenges.

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 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, which has already been deployed to group top management, is mandatory and will be regularly updated. It 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.

Reinforcement of commercial development

As part of the Innovation Development and Markets Department center of excellence, a working group dedicated to skills development was launched in May 2018, 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.

This dual map will allow development directors of different business units to define development priorities and identify the existing offer in different business units to share content and offer training opportunities to teams.

Manager commitment survey

As part of its sustainable development commitment, **Encourage each employee's professional development and commitment**, the Group set the 2020 objective of maintaining the manager commitment rate at over 80%.

The third Manager commitment survey was conducted in March 2017. It will be repeated in 2019/2020 in relation to the Group's new strategy, covering 5,000 managers. Designed as a tool to gather information on managers' perception and understanding of the Group's strategy and its implementation, the survey highlights the strengths of the Group's managerial policy and areas for improvement. The 2017 survey helped consolidate the analysis of changes, trends and replies.

The participation rate was 78%, 1 point higher than in 2015. The commitment score remains at the very high level of 86%, calculated based on replies covering work fulfillment, desire to excel, confidence in Veolia's ability to meet its ambitions, and pride in working at Veolia.

In addition, a working group bringing together the Group Human Resources Department and the Human Resources Directors in the various countries, developed a common framework of nine questions. These were included in the Group survey and the surveys conducted by countries adopting a similar approach. This will ultimately enable employee commitment to be assessed beyond the "5,000" sample.

In 2018, a certain number of countries such as the United States, Czech Republic and Slovakia carried out surveys at their level, including common questions created within the working group.

Group action plan

The results of the 2017 manager commitment survey confirmed the Group action plan drafted in 2015. This action plan was created in line with the Group's 2016-2018 strategic plan and focuses on four priorities:

- support innovation and business momentum with our clients;
- continue to prioritize economic profitability and improving operating performance;
- emphasize cooperation to consolidate the new Veolia;
- accompany and develop talent so as to boost Group performance.

Performance indicators from the survey were defined for each action plan in order to assess progress.

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 where the Group operates;
- 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 €33,614 in 2018 (€32,870 in 2017).

In 2018, average gross compensation was €34,217 for men (€33,584 in 2017), and €31,184 for women (€29,853 in 2017), representing an average difference of €3,033.

This difference is due primarily to the nature of the jobs performed and their requirements, as well as differences in age, seniority and qualifications often found between the two populations. This situation is analyzed and monitored under professional equality commitments.

These averages are only indicative, however, and should be interpreted with an element of caution. They correspond to a wide diversity of situations due to the nature of the professions and jobs carried out and their geographic location and are affected by changes in the foreign exchange rate.

It is Veolia policy to respect equality between men and women who have the same employment conditions and qualifications. 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).

These benefits are directly managed in each country.

Because of longer life expectancies and rising medical costs, the management of social protection plan solvency has become increasingly strategic. In some countries, following the closure of public social protection systems, economic stakeholders seek to provide health, benefit and pension cover for their employees.

Due to its international scope, the Group must take these factors into account and ensure that certain basic principles are applied:

- comply with local legislation and, wherever possible, implement complementary social protection systems in order to guarantee fair coverage for all its employees;
- ensure that 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.

For example, 2018 contributions for the 50,849 Group employees in France totaled nearly:

- €49.35 million for healthcare costs;
- €29.22 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 2018, profit-sharing and incentive payments for the French entities including Veolia Environnement, in respect of 2017, totaled €61.1 million. Amounts invested in 2018 in respect of 2017 profit-sharing and incentive payments totaled €25,5 million, or 41.74% of the sums distributed.

Added to this amount is a contribution from the Group's French entities amounting to €3.047 million. At the end of 2018, nearly 39,000 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 2018, employee savings in France in the two Group savings plans totaled €367.4 million broken down as follows:

- €333.6 million in the PEG held by 51,000 current and former employees;
- €33.8 million in the PERCO G held by 28,500 current and former employees.

Company investment funds invested in Veolia shares (employee share ownership) total €142.8 million and are held in the PEG.

The range of dedicated company investment funds (monetary, equity, bonds, and diversified) for €224.6 million is held in the PEG and the PERCO G.

Employee share ownership

The last transaction took place in 2018. It was offered to approximately 128,000 employees[(1)] in 30 countries (across Asia, Oceania, Europe, North America and Latin America). Subscriptions totaled over 39,500, representing a subscription rate of 31.1% Group-wide, with rates in excess of 80% in several countries, including South Korea (100%), Hungary (100%), Romania (98%), China (92%), the Czech Republic (87%) and Hong Kong (81%). Accordingly, the total amount subscribed was €34,051,755[(2)], including the Group's additional contribution.

As of December 31, 2018, over 72,000 Group employees were Veolia Environnement shareholders, holding 1.9% of the Company's share capital.

Moreover, 248,580 free shares were granted to all employees in the France scope (49,716 beneficiaries) in 2018, representing 0.04% of the Company's share capital. These shares will be acquired by the beneficiaries provided that they are still employed at the end of the vesting period in May 2019.

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. Non-compliance with human and social rights has a direct impact on the Group, leading to labor disputes, disengagement and damage to the employer brand (see Chapter 5 above, Section 5.2.2.4 relating to the risks linked to human resources).

Consequently, Veolia aims for innovative and respectful labour relations with its internal stakeholders, which allows them to provide collective solutions in the context of transformation. Moreover, the Group views diversity as a priority, as it ensures internal cooperation, commitment and employee loyalty.

6.4.5.2 Cohesion and labour relations

6.4.5.2.1 Policy and commitments

Veolia is particularly vigilant about labour 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 sustainable development commitments (see Section 6.1 above), Veolia has made commitment 9 to *Guarantee that diversity and fundamental human and social rights are respected within the Company*. It has set an objective to implement a social labour relations organisation covering 95% of its employees by 2020.

This commitment is sponsored within the Executive Committee by Mr. Jean-Marie Lambert, Senior Executive Vice-President Human Resources.

(1) Including the UK, with deployment of a Share Incentive Plan.

(2) UK excluded.

To advance the quality and development of labor relations, Veolia ensures that there is effective dialogue with employees at all levels of the organization:

- at company or site level, a natural place for negotiations on many issues that impact employees' daily lives. Within Veolia, 1,103 (√) 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 two agreements appointing the Group French and European Works Councils were amended in 2015 to take into account the change in the Group's scope and the experience gained from the previous agreement in order to bolster and modernize the Group's labor-management relations in France and in Europe.

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.

The Group Works Councils are key players in Veolia's transformation. They receive information on the activity, the financial position and the employment situation. They must be informed of restructuring, acquisition or disposal plans. They are also informed and consulted each year to exchange ideas on the Group's strategic directions and their social impacts.

The agreements signed with the trade union representatives of the Group French Works Council and the commitments made under the Group European Works Council agreement demonstrate the will of the Group's Executive Management to structure unique relations with employee representatives and thus contribute to the Group's actions on behalf of all its employees.

CSR dashboard for the Group European Works Council

Work was carried out with the Group European Works Council in order to define social, economic and environmental indicators with a view to establishing a performance tracking dashboard covering labor relations. The CSR dashboard comprises components relating to worldwide and Europe performance, the change in workforce, frequency, attendance and absenteeism rates and the number of agreements signed in each entity. These components provide input for labor relations in the various countries.

Support for changes in jobs and skills

In 2018, members of the Group European Works Council and the Group Human Resources Department signed a letter of undertaking regarding support for changes in jobs and skills in relation to the Group's strategic guidelines.

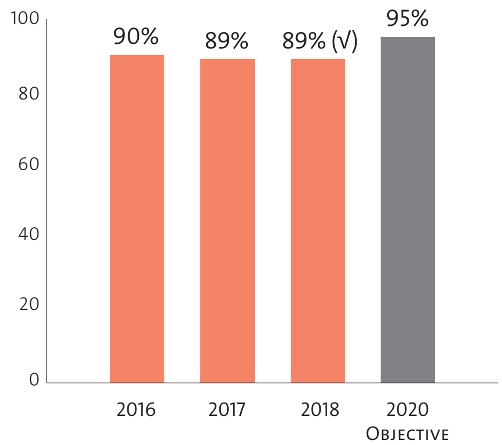
Ten commitments were defined, notably for skills and their renewal or adaptation, workplace equality, the impact of digital on work and passing on knowledge between generations, to be supported and promoted *via* country social dialogue spaces, aiming to implement specific actions encouraging:

- a shared understanding of Group strategy and its adaptation to different countries;
- establishment of social diagnoses to objectively take advantage of changes in job 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 2018, 89% (√) of employees were covered by a social dialogue body.



Overview of collective agreements

In 2018, more than 1,100 new collective agreements were signed at entity or company level or with Group bodies. All of these collective agreements impact the Company's labor and therefore economic performance.

Breakdown of issues covered by signed agreements

Compensation and benefits	Health, safety or working conditions (√)	Social dialogue	Skills development	Other adjustments	Other
30.8%	13.1%	30.8%	10.7%	4.7%	9.9 %

At the end of 2018, there were 8,603 (√) employee representatives.

There were 74 strikes in 2018, representing 0.008% 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 employee Board members were appointed in 2014 by the Group French and European Works Councils respectively. As the mandates of two directors appointed in 2014 ended on October 15, 2018, employee representative directors were appointed who will sit on the Board of Directors for the next four years. (see Section 7.1.2.2).

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 guidelines, supplementing the Group's management commitments with the Group European Works Council on prevention, health and safety.

As part of the Group's 2015 agreement on strategic guidelines, representatives of the Group French Works Council, French trade union representatives and members of the Group European Works Council met in April 2018 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 laws and due diligence were presented and discussed.

An agreement on the generation contract for the Group in France was signed on November 15, 2017. The latter reflects the agreement signed in 2013.

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.

A review agreement was signed in 2016 to set up a Group retirement savings plan (PERCO).

Training of trade union partners

Training employee representatives in the performance of their duties is key to high quality social dialogue on the economic and human resources issues faced by the Group. Training representatives also recognizes the importance of Group employees and their representatives as key internal stakeholders. Members of the Group European Works Council have therefore received high-level training since 2010 to more broadly address the cultural diversity of trade unions and the plurality of Veolia's businesses and their challenges. As part of the implementation of a European letter of undertaking signed on May 30, 2018, members of the Group European Works Council will benefit from 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 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, trade union seminars were set up by each organization in order to improve their structure and define the priorities of the Group's employee policy. These trade union seminars are renewed each year and are the subject of an open dialogue session with human resources management.

Management and the union organizations opened a negotiation in 2018 to adapt their 2010 Group agreement on the quality and development of social dialogue with the objective to integrate changes to the legal framework of the labor law and reinforce union career management systems and support for 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.

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

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 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 the expansion of diversity and gender equality:
- guarantee the advancement of social dialogue and employee freedom of speech.

Diversity approach

The diversity policy is supported by a global network of officers whose duties are to:

- implement the commitments;
- 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 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 in 2017 (legal obligation in France);
- women to make up 30% of managers in 2020;
- women to make up 25% of executives in 2020.

As part of the social dialogue, representatives from different countries of the Group European Works Council and management created a working group on gender equality, aiming to define a common diagnosis in view of common resolutions and action plans within the European Works Council.

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.

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 social initiatives process. In 2017, over 43 countries contributed to collecting social initiatives, with more than 350 projects identified. Around 30 of these projects were presented in the social equality and diversity category, 13 of which are highlighted in the publication "Social initiatives in 2017: Innovation and cooperation, driving performance". The prize in this category was presented to the United Kingdom for an initiative aimed at integrating job seekers. The initiatives will be collected again in 2019.

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, engineers or technicians. The accounts of these professionals on the reality of their career paths demonstrates that the technical trade option is open to young girls. This partnership is consistent with the actions deployed by the Group's Relations with Schools and Universities department.

As part of this partnership, Veolia took part in the "Girls on the Move" initiative launched throughout 18 countries during the week of March 8, 2018. Twenty-four Group entities across ten countries and five continents carried out various activities (site visits, school events, etc.) in order to demonstrate to young girls that they could also work for Veolia. These activities were carried out with over one thousand young girls, with the assistance of one hundred "Elles Bougent" sponsors at Veolia.

As part of its partnership with the Women's Forum, Veolia also supported the publication of the guide *Equality and diversity: companies which reflect society*. Published during the 2018 Women's Forum, this document proposes the keys to understanding the current issues.

Veolia has also partnered with the **French Association of Diversity Managers** (AFMD).

Diversity through sport

To promote diversity, Veolia draws on sport and its values and particularly team spirit, cohesion and Group success. All employees, regardless of their performance level, were invited to participate in the Diversity Race in September 2018 in Vincennes. Veolia is involved in this event through its partnership with the French Federation of Corporate Sports (FFSE). More than 560 employees participated in the race.

Diversity within the Group

In 2018, 21.04% (√) of Group employees were women, including 26.5% (√) of managers and 16.62% of executives. In 2018, the Board of Directors was 46% women[(1)].

Several initiatives promoting gender equality in the workplace have been rolled out in the various countries where the Group operates:

- Veolia's internal gender equality network launched in 2016, bringing together Veolia's men and women who wish to promote gender equality within the Group. Sponsored by two Executive Committee members, the network comprised more than 1,980 employees from 48 countries at the end of 2018;
- a development program entitled "Women In Leadership" launched by Veolia in North America in 2014 and progressively rolled-out in other geographic zones: Europe (France, United Kingdom, Ireland, Germany, Spain, Belgium), Africa (Morocco) and the Middle East. This 10-month coaching program seeks to create development opportunities for women managers in the organization. It coached 66 women in 2018.

In addition, in line with its commitment to combat workplace sexism signed in France in 2016 by Jean-Marie Lambert, the Group's Director of human resources, awareness actions have been carried out in several Veolia entities. For example, in 2018, the Recycling and Waste Recovery entity launched an awareness program to combat sexist behavior within the Company in cooperation with the Group's Human Resources Department.

The chosen educational approach involves organizing questions on workplace gender relations to promote discussion and ascertain behavior which can lead to sexist abuse, whether genuine or perceived as such. This program also helps underline the legal framework, as well as the role and responsibility of managers, providing them with the keys to classify abuse and regulate workplace gender relations. A "Preventing sexism" guide for managers was published at this time.

Moreover, as part of its commitment to workplace gender equality, Veolia took part in a survey in France at a national level supervised by the High Council of Workplace Equality (CSEP) which considers parenting at work. It was deployed online with employees and managers in France.

Veolia wants to draw lessons from this survey 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.

Employment and social integration of persons with disabilities

At the end of 2018, 2.36%[(2)] of Veolia employees worldwide had disabilities, *i.e.* 3,461 employees. In France, this rate was 3.81%[(3)] and €9.6 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).

In 2018, 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 the Middle East, an awareness campaign was carried out in September 2018 within Enova during an Human Resources day.

In France, during the 22nd Week for Employment of Disabled People, the Veolia Water France Disability Unit proposed an online daily awareness quiz for all employees. This campaign was extended to all employees at the Aubervilliers headquarters.

Veolia Spain launched a workplace disability awareness campaign in December 2018. An human resources team training program was implemented and will be extended to all employees.

In Germany, multiple actions were implemented to adapt working conditions to people with disabilities, and encourage their integration (adapting workstations, coaching, disabled worker representatives, etc.).

Development of inter-generational relations

In 2018, 20.6% of the Group's workforce were seniors (over the age of 55) and 13% were young (under the age of 30). To prepare the Group's future, Veolia encourages its employees to profit from the knowledge of experienced seniors, as well as the latest professional skills and aptitudes of its young recruits. Veolia maintains the balance between seniors and young people through internal recruiting, mentoring, training, etc.

(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 possible to declare disability.

(3) Number of employees with declared disabilities compared to the total workforce as of 12/31 in France.

As part of renewal of the generation contract in France, the Human Resources Department has developed e-learning 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.

Supporting the most vulnerable employees

An Active Solidarity Plan is applied in France in consultation with the Group French Works Council to support the most vulnerable employees in a difficult economic context. This led to the launch of "Allo Solidarité," an employee counseling and support system in France set up with the help of an external partner.

Today, Group employees in France have access to a telephone platform that allows them to discuss their social challenges with professionals.

In 2018, around fifty calls were received each month, mainly about housing and financial issues.

The partnership with the "Vivons Solidaires" association, set-up in September 2010, helps to tackle social emergencies. The association receives many requests for assistance with emergency housing, food donations, and children's aid. Union organizations are involved with the Board of Directors and management of this association.

6.5 Compliance

6.5.1 STRATEGY AND ORGANIZATION

The Group's Legal Department, which was historically responsible for legal matters in terms of compliance, 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 directly reports to the Chairman and Chief Executive Officer. It is responsible for identification and prevention 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 liberties;
- environmental breaches;
- anti-competitive practices;
- personal data protection;
- conflicts of interest;
- general lobbying framework;
- insider trading.

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 6.5.2.3.1 below) in relation to these topics.

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 clients, 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 is a member of the Management Committee and regularly attends the Executive Committee. When needed, he is also consulted by the Accounts and Audit Committee and/or 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.

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 Group Finance Department and Internal Audit.

The compliance approach is based around managing or participating in the following committees:

The Compliance Committee	The Compliance Committee was created in 2018. It brings together the main players involved in the compliance and ethics policy, and it is responsible for internal coordination in the matter. This Committee is chaired by the chair of the Ethics Committee (*see Section 6.5.2.3.1. below*).
The Sponsorship and Patronage Committee	The Sponsorship and Patronage Committee is chaired by the Group's General Counsel. It examines and approves sponsorship and patronage projects by Veolia Environnement or projects co-funded by several Group entities in France.
The Human Rights and Duty of Care Committee	Created in 2016 by the Executive Committee, and now chaired by the Group's Compliance Director, the Human Rights and Duty of Care Committee is responsible for steering Veolia's human rights and vigilance policy.
The Inside Information Committee	During its meeting on November 24, 2016, the Company's Disclosure Committee decided to create an Inside Information Committee to rule on the classification of any event or information likely to be classified as insider information pursuant to the Market Abuse Regulation (MAR). This Committee is chaired by the Chief Financial Officer.

6.5.2 PREVENTING CORRUPTION AND ANTI-COMPETITIVE PRACTICES

6.5.2.1 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 Risk factors below relating to regulatory, legal and ethical risks in particular), particularly due to the nature of its contracts, the investments made and the difficulties unique to certain countries where it operates. Acts by employees, employee representatives or external stakeholders which contravene the principles set out by the Group could expose it to criminal and/or civil penalties as well as reputational harm.

Prevention of corruption and anti-competitive practice programs foster a culture of transparency and integrity within the Group, allowing it to protect its reputation and retain the trust of internal and external stakeholders. Other than reducing risk in these fields, it helps reinforce appeal and allows the Group to stand out from its competitors.

6.5.2.2 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 also results in 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 6.5.2.3.4. below).

In terms of sustainable procurement, Veolia has reinforced its compliance program and its Corporate Social Responsibility (CSR) policy. As part of this approach, specific sustainable development and anti-corruption clauses are included in new contracts or renewed contracts/amendments with suppliers and subcontractors. 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, the anti-corruption and modern business practices (also known as the "Sapin II law").

With regards to the duty of care, the Vigilance Plan pursuant to law no. 2017-399 (the so-called duty of care law) is presented in Section 6.6. below.

Other than preventing corruption and anti-competitive practices, other compliance programs and approaches are in place, which cover:

- personal data protection (see Section 6.5.4.1. below);
- environmental compliance (see Section 6.2 above);
- the general lobbying framework (see Section 6.5.4.3 below);
- preventing insider trading (see Section 6.5.4.4. below);
- risks relating to activities in sensitive countries (see Section 6.5.4.5 below).

6.5.2.3 Actions and results

6.5.2.3.1 Define, steer and coordinate compliance programs

Governance and definition of compliance programs

An independent Compliance Department was created in January 2018. It directly reports to the Chairman and Chief Executive Officer. It is responsible for the governance of compliance programs regarding the topics of corruption, anti-competitive practices, lobbying, human rights and duty of care and data protection (see Section 6.5.1. 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 responsibilities in terms of compliance. During 2018 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. An initial seminar was held with all Group ZCOs in late 2018.

Compliance Committee

To ensure successful implementation of compliance actions within the Group's various entities, a memo on January 15, 2018 created a coordination and guidance committee, known as the "Compliance Committee". The different meetings in 2018 were dedicated to organizing ethics and compliance, coordinating Group alerts, a focus on updating certain Group procedures and preparing to reorganise the whistleblowing system which is managed by the Ethics Committee.

6.5.2.3.2 Identify and evaluate non-compliance risks

Corruption risk mapping

Since 2012, in addition to the Group risk mapping, the Risk Department has developed the "country risks & opportunities" program (see Chapter 5, Section 5.1 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, from 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 is created based on Group methodology, combining internal and external data and based on the three approaches described below:

The geographic approach	The geographic approach is used to rank Veolia zones and countries depending on their level of exposure to corruption risks.
The Group approach	At Group level, compliance risk analyses are used: • to identify and evaluate the main risk scenarios, depending on Group business segments, contracts and internal processes; • to have an overview of existing systems and their level of deployment; • to reinforce the level of control through specific action plans deployed for the Group.
The Business Unit approach	At Business Unit *level,* compliance risk analyses are completed based on combined results from the geographic approach and the Group approach. They indicate the compliance risks at the local level of a Business Unit or country (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 it 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 reputational risks.

Regarding clients, the evaluation system is deployed within the Business Units through the Group Clients-Sales procedure, updated in late 2018. The implementation is delegated to 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".

6.5.2.3.3 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 the guide 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, the duty of care law and the requirements of the General Data Protection Regulation (GDPR) led the Group to adopt a new internal whistleblowing system in 2018, which will replace the existing specific systems in early 2019, and which will improve guarantees made to the whistleblowers and the people targeted by the alerts.

This whistleblowing system is intended to allow the collection of alerts regarding behavior 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 will be managed, as previously, by the Ethics Committee, which will receive 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 scope of Compliance are immediately sent to the Compliance Department, which is in charge of handling them.

This system offers the required simplicity due to centralization of whistleblowing reports sent to an independent body, clearly identified by Group employees *via* a platform offering full privacy assurance.

6.5.2.3.4 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 and regularly renews and reinforces its programs.

In 2004 and 2005, for example, the Company launched an awareness campaign under the title "Ethics and Business Life", which was rolled out to 400 senior managers in France and other countries. 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 2013/2014, the training program was completed by an e-learning version of this program, 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 training program has been deployed with 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). In 2017 and 2018, fraud awareness training, supervised by Internal Control, was provided to managers and mainly accounting, financial and purchasing teams (around 280 people) in several countries and BUs.

Other training on the theme of "compliance, corruption and criminal business law" (e-learning and face-to-face training) was 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.

These e-learning trainings are mandatory for those who receive them and they are deployed by the Veolia Campus network. They have the same distribution scheme, and primarily target the Group's main managers, then an extended group of the "TOP #5000" including people who seem appropriate to be trained considering their responsibilities and their exposure to these topics. These trainings were deployed as of November 2018.

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. The expected outcome of these training plans is to get all relevant workforce, notably managers and employees with sensitive roles, fully trained.

Development and deployment of the Anti-Corruption Code of conduct

An Anti-Corruption Code of conduct was adopted by the Group's Executive Committee at its meeting on March 19, 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 into 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.

6.5.2.3.5 Control and improve processes

Development project selection procedure

In 2018, the Compliance Department became involved in the selection of development projects. 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, during 2018, the Compliance Department was involved in reviewing projects with specific risks. At the end of 2018, a modification of this procedure was drafted 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 area, the Risk Department has a risk evaluation system through a specific program (see country risks and opportunities program, Chapter 5, Section 5.2.1.2 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 related to countries subject to international sanctions are always 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 6.5.4.5. below).

Development of a "Gifts and Invitations" policy for France BU

Considering changes to requirements and practices in the matter and in the context of reinforcing the Group's compliance policy, in 2018 the Compliance Department published a new "Gifts and Invitations" policy applicable to all BUs in France. This guide lists the operational guidelines arising from the implementation of the Anti-Corruption Code of conduct, and more specifically paragraph (2-d) relating to gifts and invitations.

Reinforcement of the Code of conduct for Securities Trading

The Inside Information Committee, which the Compliance Director has joined since 2018, reviewed the rules applicable to the Company's main senior managers who are considered "permanent insiders" in view of regulations, due to their potentially permanent access to all inside information possibly held by the Company. The Company's Code of conduct for Securities Trading has been amended, reinforcing the ban on Executive Committee and Management Committee members from carrying out hedging transactions using the Company's financial instruments.

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 it consistent with the requirements of the Sapin II law (see Section 5.1.2 above).

6.5.3 HUMAN RIGHTS

6.5.3.1 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, notably external stakeholders (subcontractors, suppliers) (see Chapter 5 Risk factors below relating to 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 commercial differenciation and protect the Group's reputation.

6.5.3.2 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 and duty of care 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 6.5.1 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 5.4.1 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 operational departments and all entities.

Right to a healthy environment and protection of resources

These concerns are particularly important for Veolia, as they relate to the Group's core 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 6.3.2.3.2 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.

Prohibition 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 described 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.

6.5.3.3 Actions and results

6.5.3.3.1 Define, steer and coordinate the Human Rights program

Program governance

The Human Rights Committee is chaired by the Group Compliance Director (see Section 6.5.1 above). He is responsible for rolling out the Veolia human rights policy, adoption by the Group's employees and monitoring action plans.

The decision to switch from a voluntary approach to a compliance-focused approach illustrates the Group's determination to reinforce the scope of its commitments in terms of human rights and its duty of care as required by French legislation.

International network reinforcement

The Compliance Department performs its role in relation to human rights by relying on Zone Compliance Officers. This network is coordinated by a human rights and vigilance manager reporting to the Compliance Department.

6.5.3.3.2 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 (see Section 6.6). The problems linked to human rights are long-term. As a result, the conclusions drawn from this work continue to be valid to support Veolia's approach on this topic. In 2018, this map was used to update the purchasing risk mapping.

Purchasing risk mapping

The purchasing category map was updated by the Purchasing Department at the start of 2018 to include 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 made use of 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 law no. 2017-399, the so-called duty of care law.

Group employees can carry out supplier site visits in line with supplier evaluations. In 2018, a new evaluation form was created for buyers and technical teams for these visits.

6.5.3.3.3 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 liberties, issues carefully monitored by Veolia. This system was reinforced in early 2019 with a secure external platform.

The whistleblowing system is explained in Section 6.5.2.3.3 above.

6.5.3.3.4 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. Its latest update in December 2018 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 2018. It is called "Our General Principles for Suppliers' Relationship" 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.

Reinforcement of 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. The first stage of the rolling out of this approach was an awareness campaign linked to the new version of the Suppliers' Charter published in 2018 and which includes a reinforced human rights component. The purchasing compliance policy is detailed in Section 6.3.3.3.3 above.

6.5.3.3.5 Control and improve processes

Control and evaluation

Veolia prioritizes regular dialogue with its stakeholders to improve management of human rights.

During a meeting of the Human Rights and Duty of Care Committee in May 2018, the association *Entreprises pour les Droits de l'Homme*, of which Veolia is a member, presented a study regarding the implementation of vigilance plans by a panel of major French groups. This review allowed Veolia not only to check the relevance of its approach, but also to consider future areas for improvement as part of a progress initiative, such as the development of appropriate reporting and monitoring tools.

Implementation of the sustainable development clause

In 2018, the sustainable development clause became mandatory and it is included in new contracts or renewed contracts/amendments for suppliers and subcontractors (see Section 6.3.3.3.3 above and Section 6.6 below). The objective is to prevent risks related to ethics and labor law rules (human rights, child labor, corruption, etc.)

6.5.4 OTHER COMPLIANCE PROGRAMS

6.5.4.1 Personal data protection

The Group endeavors to apply national provisions and the EU General Data Protection Regulation (GDPR).

Personal data protection concerns the entire Veolia Group, which has a global networked organization, reporting to the Compliance Department, notably with:

- a "Global Data Protection Officer" (GDPO) appointed for Veolia Environnement and its support functions. It relies on the Group's IT, Legal and Security departments and coordinates 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.

Furthermore, Veolia Environnement:

- deploys a personal data protection policy as well as a Group cybersecurity policy;
- keeps a record of processing activities;
- ensures that the individuals in question are duly informed.

6.5.4.2 Environmental compliance

The objectives, commitments and actions are discussed in Section 6.2 above.

6.5.4.3 Lobbying

Veolia actively contributes to discussions, consultations and projects on changes in environmental services management initiated by international, European and French authorities, professional associations, think tanks and NGOs. Pursuant to applicable regulations, these actions are implemented in the context of with its adherence to the Global Compact and within the general framework of the Group's ethics program 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 Sénat register in France, which records lobbyists on its own list.

Similarly, lobbying employees (or 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 professional association of parties responsible for relations with public authorities (ARPP). 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 2018, the association reinforced its ethics code and modified its Articles of Association: members are now required to be registered on the digital lobbyist directory.

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.

6.5.4.4 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.

6.5.4.5 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. Veolia may also have contact with individuals against whom restrictive measures have been issued.

Thus, to prevent any risk linked to activities in sensitive countries, the Group has implemented an internal procedure for many years. Its main objective is to perform business in accordance with the Group's internal policy and the rules issued by national authorities and international bodies.

As part of this internal procedure, a list of so-called "sensitive" countries was drawn up. It is regularly updated and considers countries targeted by national or international sanctions. This list aims to ensure that any new or existing activity (for renewal) is subject to prior analysis to evaluate the risks of non-compliance with national and international regulations. The procedure considers countries where any form of business is prohibited, those where certain forms of business are prohibited, and finally countries where it is prohibited to enter into business relations with certain nationals.

6.6 Vigilance plan

This section reports on the implementation of the vigilance plan by the Group, pursuant to the French law no. 2017-399 on the duty of care. This plan is notably founded on "reasonable due diligence to identify risks and prevent serious violations of human rights and fundamental freedoms, risks and serious breaching of health and safety and environmental regulations":

1 "A risk mapping that identifies, analyses and ranks risks"

Risk analysis is a preliminary fundamental step in a continual improvement approach. Analyses were conducted at zone and country level using the Group methodology, in order to combine global indicators with relevant local information. The objective of these analyses is to obtain consolidated a risk evaluation which considers both internal and external perception, which can lead to the implementation of action plans where needed.

Specific human rights risks were mapped in 2014 and again in 2016 (see Section 6.5.3.3.2 above). This risk mapping covered the eight priority issues identified in the Human rights policy (see Section 6.5.3.2. above), as well as commercial relations.

The purchasing risk mapping, which considers topics such as human rights, health and safety and environmental protection, was updated in 2018. (see Section 6.5.3.3.2 above).

The Veolia internal Environmental Management System (EMS) looks at environmental and operational risks within Veolia operations (see Section 6.2.1 above). Each year, all countries where the Group operates are asked to explain how they identify, review and control the main operating and environmental risks they face. This review is performed under the supervision of a country director and must take place at least once a year. It is an additional exercise to the Group mapping supported by the Risks Department (see Chapter 5, Section 5.1.1 above).

2 "Regular assessment of the situation of subsidiaries, subcontractors or suppliers with which the Company maintains an established commercial relationship, based on the risk mapping output"

The human rights and duty of care approach covers the different players in the Group's value chain. The Veolia Purchasing Department has therefore included human rights, environmental protection and health and safety requirements in its "Sustainable Procurement" policy for a number of years (see Section 6.3.3.3.3 below). Veolia Environnement and its subsidiaries have therefore introduced an appraisal system for referenced suppliers conducted by an external service provider (see Section 6.3.3.3.3 below). These appraisals are based on questionnaires comprising criteria reflecting our Group priority challenges and split into four main sections: environment, social, ethics and supplier relations. In this context, the Veolia Purchasing Department runs annual evaluation campaigns relating to the Group's strategic and/or at-risk suppliers. This process can lead to the performance of on-site evaluations. In 2018, the system regarding site visits was supplemented (evaluation form considering questions on health and safety, the environment and discrimination).

3 "Actions to prevent and mitigate risks and serious violations"

The human rights and duty of care approach reflects the integration of fundamental challenges into the Group's values and actions and contributes to compliance. It promotes the strengthening and improvement of existing measures. The regions are developing numerous initiatives in response to the eight priority challenges identified in the Group human rights policy (see Section 6.5.3.2 above). Good local practices underpin actions implemented group-wide. The functional departments, supported by their network of officers, define a common framework of standards taking account of local specificities.

Initiatives are implemented to raise the awareness of Veolia employees and train them in the Group's values and ethical principles (see Chapter 5, Section 5.4), as well as human rights, health and safety (see Section 6.4.3 below) and environmental (see Section 6.2 below) policies.

Furthermore, through framework agreements, the Group Purchasing Department aims to raise awareness and make all those involved in the purchasing process accountable on economic, social and environmental issues (see Section 6.3.3.3.3 above).

The inclusion of a sustainable development clause in the Group's supplies and services contracts in 2018 is also a driver for action. This text also requires the promotion and respect of fundamental, economic, social and environmental rights from suppliers. At the end of 2018, 63% of active contracts in the Group's supplier database included this clause (57% at the end of 2017) (see Section 6.3.3.3.3 above).

Finally, the Group supplemented these actions with an awareness campaign aimed at buyers following publication of the new version of the Veolia Suppliers' Charter in 2018, which includes a human rights and duty of care section (see Section 6.3.3.3.3 above).

4 "A whistleblowing system for reporting existing or proven risks"

In force for several years, the whistleblowing system managed by the Group Ethics Committee was reorganized in 2018. Its scope includes problems linked to human rights, individual health and safety and the environment. There are local whistleblowing systems, where necessary, for the governance of each entity (see Section 6.5.2.3.3 below).

5 "A monitoring scheme to follow up on the plan's implementation and the efficiency of measures"

Now coordinated by the Compliance Department, the implementation of the vigilance plan is based on governance involving functional departments at headquarters and Business Units which make up the Human Rights and Duty of Care Committee.

Monitoring indicators were defined as part of actions linked to the implementation of the vigilance plan. In terms of purchasing compliance, they cover the strategic supplier evaluation rate, and also monitoring of active supplier contracts including a sustainable development clause (see Section 6.3.3.3.3 above). Considering the importance of purchasing with respect of the duty of care, the indicators appears as relevant.

In keeping with Veolia's social dialogue policy (see Section 6.4.5.2 below), discussions which were launched with internal stakeholders in the Group's representative bodies on the duty of care are an additional, more qualitative method of evaluation. An information and discussion session was organized in April 2018 during the annual review of the Group's strategic directions and their social impacts by the Group French and European Works Councils.

6.7 Non-Financial Performance Statement Information Summary

Pursuant to Article R. 225-105 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 1.2.2 above), Veolia has identified the main risks and opportunities linked to its business activities for each of the required information categories.

The table below presents them and links them to the commitments which the Group has made and refers to the sections of this Registration Document where the associated policies and results are described.

Environmental consequences of Veolia activity

Natural resources	**Commitment 1: Sustainably manage natural resources by encouraging the circular economy** *see* Section 6.2.2			
	Risks	Pages	Description of policies and results	Pages
			6.2.1 Environmental Policy and Environmental Management System	282
			6.2.2.2 Policy and commitments	285
	• Residual pollution at sites	284	6.2.2.3.5 Limit the discharge of pollutants into water	291
	(see Section 6.2.2.1 and Chapter 5, Section 5.2.2.1)	265	6.2.2.3.6 Limit atmospheric pollution	293
	Opportunities		Description of policies and results	
	Solutions offered to our clients:	284	6.2.1 Environmental Policy and Environmental Management System	282
	• Advanced for water, waste and "difficult pollution" processing		6.2.2.2 Policy and commitments	285
	• Product and energy recovery from waste and wastewater processing		6.2.2.3.1 Encourage the circular economy	285
	• Protecting water resources (quantity and quality)		6.2.2.3.2 Save water resources	286
	• Industrial and local environmental services (see Section 6.2.2.1)		6.2.2.3.3 Recover waste and reducing raw material consumption	288
			6.2.2.3.5 Limit the discharge of pollutants into water	291

Climate change

Commitment 2: Contribute to combating climate change
see Section 6.2.3

Risks	Pages	Description of policies and results	Pages
• GHG emissions at sites • Site exposure to natural disasters	295	6.2.1 Environmental Policy and Environmental Management System	282
(See Section 6.2.3.1 and Chapter 5, Section 5.2.1.3)	263	6.2.3.2 Policy and commitments	296
Opportunities		6.2.3.3.2 Contribute to reducing and avoiding GHG emissions	300
Solutions offered to our customers:	295	6.2.3.3.3 Save and preserve energy resources	301
• Energy efficiency • Use of renewable and alternative energy • The circular economy • Capturing and recovering methane • Waste energy and product recovery • Adapting to climate change		6.2.3.3.4 Adapt to the consequences of climate change	305
		6.2.3.3.1 Climate performance – Emissions reporting	298

Biodiversity

Commitment 3: Protect and restore biodiversity
see Section 6.2.4

Risks	Pages	Description of policies and results	Pages
• Damage to biodiversity at sites with significant issues	305	6.2.1 Environmental Policy and Environmental Management System	282
(see Section 6.2.4.1 and Chapter 5, Section 5.2.2.1)	265	6.2.4 Protect and restore biodiversity	305
Opportunities (solutions offered to our clients)			
• Decontamination activities helping to protect biodiversity • Biodiversity protection and restoration solutions	305		

Consequences on society of Veolia activity

Stakeholder dialogue

Commitment 4: Build new models for relations and value creation with our stakeholders.
see Section 6.3.2

Risks	Pages	Description of policies and results	Pages
• Country risk • Political risk • Risk linked to regulatory changes	308	6.3.2.2 Policy and commitments	308
• Deterioration of labor relations	262	6.3.2.3.1 Take account of global expectations	309
(see Section 6.3.2.1 and Chapter 5,	272	6.3.2.3.2 Take account of local expectations	311
Sections 5.2.1.2, 5.2.4.1 and 5.2.2.4)	268	6.3.2.3.3 Build new shared value creation models with our clients and partners	312
Opportunities			
• Understand and respond to stakeholder expectations • Legitimacy • Innovation • Co-creation of shared value	308		

Local commitment

Commitment 5: Contribute to local development and appeal
see Section 6.3.3

Risks	Pages	Description of policies and results	Pages
• Country risk • Political risk • Risk relating to natural disasters, climate change and seasonal factors	313	6.3.2.2. Policy and commitments	313
(see Section 6.3.3.1 and Chapter 5,	262	6.3.3.3.1 Contribute to local development	314
Sections 5.2.1.2 and 5.2.1.3)	263	6.3.3.3.2 Encourage social and professional integration	316
Opportunities		6.3.3.3.3 Establish responsible relationships with our suppliers	318
• Legitimacy • Social and digital innovations • Local competition • Social inclusion • Creation of local wealth, integration, jobs	313		

Access to services	**Commitment 6: Supply and maintain services crucial to health and development** *see* Section 6.3.4			
	Risks	Pages	Description of policies and results	Pages
	• Risk linked to regulatory changes (see Section 6.3.4.1 and Chapter 5, Sections 5.2.4.1)	320 272	6.3.4.2 Policy and commitments 6.3.4.3.1 Contribute to Sustainable Development Goals 6.3.4.3.2 Develop and maintain systems for access to services adapted to the local context 6.3.4.3.3 Take consumer health and safety measures 6.3.4.3.4 Lead international outreach actions with the Veolia Foundation	320 320 321 322 323
	Opportunities			
	• Contribute to SDG (access to essential services) • Support the most vulnerable groups	320		

Human resources consequences of Veolia activity

Health and safety	**Commitment 7: Guarantee a safe and healthy work environment** *see Section* 6.4.3			
	Risks	Pages	Description of policies and results	Pages
	• Risk linked to health • Risk linked to safety • Risk linked to employer brand • Risk linked to employee motivation (See Section 6.4.3.1.1 and Chapter 5, Section 5.2.2.4)	327 268	6.4.3 Guarantee a safe and healthy work environment 6.4.3.1.2 Policy and commitments 6.4.3.1.3 Actions and results 6.4.3.2 Work organization	327 327 328 330
	Opportunities			
	• Protect the physical and mental well-being of our employees • Adopt the correct safety habits on a daily basis • Improve appeal, employee retention and satisfaction • Improve productivity and performance	327		
Professional development and commitment	**Commitment 8: Encourage each employee's professional development and commitment** *(See Section* 6.4.4)			
	Risks	Pages	Description of policies and results	Pages
	• Loss of strategic skills leading to reduced competitiveness over time • Loss of key skills affecting the Group's ability to pursue its strategy • Greater turnover and absenteeism • Skills which are inadequate for requirements (See Section 6.4.4.1 and Chapter 5, Section 5.2.2.4)	331 268	6.4.2 Workforce breakdown 6.4.4 Encourage each employee's professional development and commitment 6.4.4.2 Policy and commitments 6.4.4.3 Actions and results	325 331 331 332
	Opportunities			
	• Reinforce employees' ability to adapt and develop • Anticipate changes through internal forward management of jobs in order to propose added-value services to our customers • Encourage cohesion, employee commitment • Support Group development and changes via the forward management of jobs and skills	331		

Respect for diversity, cohesion and social dialogue

Commitment 9: Guarantee that diversity and fundamental human and social rights are respected within the Company
(See Section 6.4.5)

Risks	Pages	Description of policies and results	Pages
• Deterioration of labor relations • Risk of labor disputes • Risk of non-compliance with basic human and social rights • Decline in employee commitment • Inability to attract talent (See Section 6.4.5.1 and Chapter 5, Sections 5.2.2.4 and 5.2.4.2)	336 268 273	6.4.2 Workforce breakdown 6.4.5 Ensure respect for diversity and social cohesion 6.4.5.2 Cohesion and social dialogue 6.4.5.3 Promotion of professional equality and diversity and the fight against discrimination	325 336 336 339
Opportunities			
• Maintain cohesion and social stability • Reinforce employee motivation and commitment • Reinforce Group appeal • Make cultural diversity a source of innovation and competitiveness	336		

Preventing corruption

Risks	Pages	Description of policies and results	Pages
• Country risk and political risk • Risk linked to non-compliance: with local laws and regulations, internal procedures and processes, contracts and commitments (See Section 6.5.2.1 and Chapter 5, Sections 5.2.1.2, 5.2.4.2 and 5.2.4.3)	342 262 273	6.5.2.2 Policy and commitments 6.5.2.3.1 Define, steer and coordinate compliance programs 6.5.2.3.2 Identify and evaluate non-compliance risks 6.5.2.3.3 Identify and manage whistleblowing reports 6.5.2.3.4 Train and raise awareness of our employees and stakeholders 6.5.2.3.5 Control and improve processes	342 343 343 344 344 345
Opportunities			
• Retain trust of stakeholders and the Company's reputation • Reinforce appeal and unique business traits • Improve transparency of economic and industrial partners	342		

Respect for Human Rights

Risks	Pages	Description of policies and results	Pages
• Country risk and political risk • Risk linked to non-compliance with contracts and Supplier Charter (See Section 6.5.3.1 and Chapter 5, Sections 5.2.1.2, 5.2.4.2 and 5.2.4.3)	346 262 273	6.5.3.2 Policy and commitments 6.5.3.3.1 Define, steer and coordinate the Human Rights program 6.5.3.3.2 Identify and evaluate risks 6.5.3.3.3 Identify and manage whistleblowing reports 6.5.3.3.4 Train and raise awareness of our employees and stakeholders 6.5.3.3.5 Control and improve processes	346 347 347 347 347 348
Opportunities			
• Ensure respect for fundamental rights • Retain trust of stakeholders and the Company's reputation	346		

Combating tax evasion

Description of policies and results

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.

During the 2018 fiscal year, no consequence due to Group activities was identified for this point when implementing appropriate internal control measures.

6

The following required information is available in the indicated sections:

Information about:	Sections		Pages
• The consequences on climate change of the Company's business activity and the use of goods and services that it produces,	6.2.3	Contribute to combating climate change	295
• Corporate social commitments in favor of:			
Sustainable development,	6.1	Sustainable development commitments	280
The circular economy,	6.2.2.3.1	Encourage the circular economy	285
Combating food waste,	6.2.2.3.3.1	Recover client waste (see the Combating food waste insert)	288
Combating food shortages, Respect for animal welfare,	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.		
responsible, fair and sustainable food,	6.3.2.3.3	Build new shared value creation models with our clients and partners (example of Livelihood 3Fd funds and partnership with Entofood)	312
• Collective agreements with the Company and their impacts on the Company's economic performance, as well as employee work conditions,	6.4.5.2	Cohesion and social dialogue	336
• Actions aiming to combat discrimination and promote diversity, and measures taken to support people with disabilities.	6.4.5.3	Promotion of professional equality and diversity and the fight against discrimination	339
	6.3.3.3.3	Establish responsible relationships with our suppliers	318

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 Responsible Purchasing) or obtained from limited geographical or business areas or from departments centralized at Group level.

The indicators were chosen to monitor the following as a priority:

- performance relating to the Group's principal CSR challenges;
- effects of the Group's CSR policy;
- regulatory obligations (Article R. 225-105 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.

In this respect, at the end of November 2018, Veolia recorded the entry of nearly 4,600 new employees as a result of the acquisition of the Sala Group in Colombia.

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 9,814 employees as of December 31, 2018.

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.

In 2018, for better monitoring of agreements relating to the organization of work, a new indicator was added, in addition to the agreements relating to health, safety and work conditions. To compare them with 2017, the two types of agreements should be taken together.

Environmental reporting covers activities linked to the operation of public water and wastewater treatment services, waste collection, transfer and processing activities, as well as industrial cleaning and maintenance and energy services (heating and cooling systems, industrial utilities and energy services to buildings). Within this scope, the reporting covers all activities over which the Group exercises operating control. Excluded activities in 2018 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).

The calculation scope for the "methane capture rate" indicator includes landfill sites included in Group reporting from 2013 to 2018. 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.

Within this scope, environmental and social information taken from the Group's dedicated information system is fully consolidated regardless of the consolidation rate in the financial statements.

Societal reporting covers the same scope as that of the social and environmental reporting for the data included in one of these reportings, as stated in the societal reporting guidelines. Societal reporting also covers specific scopes due to the nature of the indicators and sources from which the data originates. In this case, the specific nature of the information is stated with the presentation of the indicator.

In calculating the indicator monitoring commitment six (number of people connected), people connected to water or wastewater treatment networks by Veolia continue to be included in this indicator after the termination of the related contracts.

The data collected covers the period from January 1 to December 31, 2018.

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 management/entity concerned (Finance, Purchasing, Foundation) and subsequently by the Sustainable Development Department.

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 an independent third party, on the consolidated non-financial performance statement in the management report

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended December the 31th 2018

To the General Assembly,

In our capacity as the Statutory Auditors of your company (hereinafter the "entity") appointed as the independent third party, certified 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 performance statement for the year ended 31st December 2018 (hereinafter the "Statement"), included in the Group Management Report, in accordance with the legal and regulatory provisions 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

It is the Management Board's responsibility to prepare a Statement in accordance with legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of policies applied to mitigate these risks and the outcomes of those policies, including key performance indicators.

The Statement has been prepared applying the procedures of the entity (hereinafter the "Guidelines"), the most significant aspects of which are presented in the Statement and available upon request at the entity's headquarters.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Moreover, we have implemented a quality control system that includes documented policies and procedures to ensure compliance with applicable ethical rules, professional standards, laws and regulations.

RESPONSIBILITY OF THE STATUTORY AUDITOR AS INDEPENDENT THIRD PARTY

On the basis of our work, it is our responsibility to express a limited assurance opinion about whether:

- the Statement complies with the provisions of Article R. 225-105 of the French Commercial Code (*Code de commerce*);
- the information provided (hereinafter the "Information") is fairly presented in accordance with Article R. 225-105-I(3) and II of the French Commercial Code (*Code de commerce*) concerning policy outcomes, including key performance indicators and actions relating to the main risks.

It is our responsibility to express, at the request of the entity and outside of the scope of accreditation, reasonable assurance that information selected[(2)] by the entity and identified with the symbol √ in Chapter 6 of the management report has been prepared, in all material respects, in accordance with the Guidelines.

However, it is not our responsibility to express an opinion on:

- the entity's compliance with any other applicable legal and regulatory provisions, relating to the Duty of Care and the fight against corruption and tax evasion;
- the compliance of products and services with applicable regulatory provisions.

(1) Accreditation scope available at www.cofrac.fr

(2) See the list of indicators in Appendix 1 of this report.

Nature and scope of our work

We performed our work described below in compliance with Article A. 225-1 *et seq*. of the French Commercial Code (*Code de commerce*), defining the conditions under which the independent third party performs its engagement, and with the professional guidance issued by the French Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes or CNCC) relating to this engagement and with ISAE 3000 (International standard on assurance engagements other than audits or reviews of historical financial information).

We conducted work to form an opinion on the Statement's compliance with legal and regulatory provisions and the fair presentation of the Information therein:

- we gained an understanding of the activity of all companies in the consolidation scope, of the entity's exposure to the main social and environmental risks relating to the business activity and, if applicable, of its effects on respect for human rights and the fight against corruption and tax evasion, including any related policies and their outcomes;
- we assessed the appropriateness of the Guidelines in terms of their relevance, completeness, reliability, neutrality and clarity, by taking into consideration, where relevant, the sector's best practices;
- we verified that the Statement covers every category of information required under Article L. 225-102-1, Paragraph III concerning social and environmental matters as well as respect for human rights and the fight against corruption and tax evasion;
- we verified that the Statement includes a clear, substantiated explanation in the event that the information required by sub-paragraph two of Article L.225-102-1, Paragraph III of the French Commercial Code is missing;
- we verified that the Statement presents the business model and the main risks relating to the activity of all companies in the consolidation scope, including – if relevant and proportionate – risks due to its business relationships, products or services, as well as policies, actions and outcomes, including key performance indicators;
- we verified that the Statement presents the disclosures required under article R. 225-105-II of the French Commercial Code if they are relevant given the main risks or policies presented;
- we obtained an understanding of the process for selecting and validating the main risks;
- we enquired about the existence of internal control and risk management procedures implemented by the entity;
- we assessed the consistency of the outcomes and key performance indicators with the main risks and policies presented;
- we verified that the Statement covers all companies in the consolidation scope in accordance with Article L. 233-16 within the limits specified in the Statement;
- we assessed the data collection process implemented by the entity to ensure the completeness and fair presentation of the Information;
- for key performance indicators and the other quantitative outcomes[1] that we considered the most important, we set up:
  - analytical procedures to verify that collected data is correctly consolidated and that any changes to the data are consistent;
  - tests of details based on sampling to verify that definitions and procedures are correctly applied and to reconcile data with supporting documents. The work was carried out with a selection of entities contributing[2] to the reported data and represents between 24% and 100% of consolidated data of key performance indicators and outcomes selected for these tests;
- we referred to documentary sources and conducted interviews to corroborate the qualitative disclosures (actions and outcomes) that we deemed the most important[3];
- we assessed the overall consistency of the Statement based on our understanding of all companies within the consolidation scope.

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance opinion. A higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work drew on the skills of nine individuals and was conducted between November 2018 and March 2019 for a total working time of approximately twenty weeks.

To assist us in conducting our work, we called on our firm's sustainable development and corporate social responsibility (CSR) specialists. We conducted around fifty interviews with the individuals responsible for preparing the Statement.

Opinion

Based on our work, we have no material misstatements to report that would call into question the compliance of the non-financial performance statement with the applicable regulatory provisions, or the fair presentation of the Information, taken as a whole, in accordance with the Guidelines.

(1) See the list of quantitative information (key performance indicators and outcomes) in Appendix 1 of this report.

(2) See the list of the contributing entities in Appendix 2 of this report.

(3) See the list of qualitative information (actions and outcomes) in Appendix 3 of this report.

REASONABLE ASSURANCE ON A SELECTION OF NON-FINANCIAL INFORMATION.

Nature and scope of our work

With regard to the information selected by the entity and identified with the symbol √ in the Chapter 6 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 46% of headcount and between 42% and 60% of 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 √ has been prepared, in all material respects, in accordance with the Guidelines.

Paris-La Défense, March 12, 2019

KPMG S.A.

Philippe Arnaud
Partner
Sustainability Services

Baudouin Griton
Partner

Appendix 1

Quantitatives informations

HR & Safety indicators	Level of assurance
Total workforce as of December 31 (breakdown by gender, work category, age and geographical area)	Reasonable
Annual full-time equivalent workforce (FTE)	Reasonable
Percentage of women in the headcount and in the executive	Reasonable
Total number of departures Of which number of individual and collective redundancies (permanent contract)	Limited
Frequency rate of work accidents with sick leave (excluding commuting)	Reasonable
Severity rate of work accidents with sick leave (excluding commuting)	Reasonable
Number of work accidents with sick leave (excluding commuting)	Reasonable
Work days lost due to work accidents (excluding commuting)	Reasonable
Absenteeism rate	Reasonable
Total number of theoretical worked hours	Reasonable
Work days lost due to absenteeism	Reasonable
Weekly work time (in hours)	Reasonable
Number of overtime hours realised	Reasonable
Annual amount of working days per employee	Reasonable
Average number of working days per week for a full time employee	Reasonable
Number of hours of training	Limited
Percentage of employees having received at least one training during the year	Reasonable
Number of collective agreements signed of which number of collective agreements related to prevention, health and safety	Reasonable
Total number of staff representatives	Reasonable
Coverage rate by a social dialogue organization	Reasonable
Environmental indicators	
Revenue related to circular economy	Limited
Direct and indirect greenhouse gases emissions (Scopes 1 & 2)	Reasonable
Greenhouse gases emissions reduced	Reasonable
Greenhouse gases emissions related to the distribution of heat and electricity alone (scope 3)	Limited
Greenhouse gases emissions avoided	Reasonable
Capture rate of the methane on sites in operation and post-operation	Reasonable
Total energy production (electrical and thermal)	Reasonable
Total energy consumption (electrical and thermal)	Reasonable
Material recovery rate of treated waste	Limited
Share of sites with high biodiversity stakes that have made a diagnosis and deployed an action plan	Limited
Yield rate of drinking water networks	Limited
Treatment yield (COD and BOD5) on wastewater treatment plants with a capacity greater or equal to 100 000 Population Equivalent	Limited
Social indicators	
Percentage of strategic suppliers assessed on CSR performance	Limited
Percentage of contracts incorporating sustainable development requirements	Limited
Expenditure on Purchasing France carried out with the sector of sheltered and adapted work	Limited
Population with access to essential services in countries with access gaps	Limited
Share of Reinvested Expenditures in Territories	Limited
Coverage rate of priority business areas and growth segments by major partnerships based on the creation of shared value	Limited

Appendix 2

Sample of selected entities

Human resources and environmental information	Veolia Water Romania Veolia Water Japan SARPI
Human resources information	Veolia Germany RVD France Veolia Waste Australia Veolia United Kingdom Veolia China Veolia Energy Poland CGE - UES Veolia Eau
Environmental information	Veolia RVD South Veolia Energy Hungary Veolia Waste United Kingdom Veolia Waste Germany Veolia Energy Germany Veolia Energy USA Veolia Water USA Veolia Water China Veolia Waste China Water France Mediterranean Veolia Waste Australia Veolia Energy Poland Veolia Energy Czech Republic
Societal information	Veolia Headquarter (France)

Appendix 3

Qualitative Information

Human resources information
Improvement approach to prevention, health and safety at work
Actions taken for the promotion of professional equality, diversity and fight against discrimination
Measures taken to promote the development of employees' skills
Environmental information
Environmental policy and environmental management system
The GreenPath environmental footprint assessment tool
Measures taken to recycle plastic waste
Measures taken to reduce the impact of activities on climate change
Actions taken to optimize water cycle management and save the resource
Societal information
Measures to prevent corruption
Measures implemented for handling incidents related to the violation of human rights and fundamental freedoms
Interactions with stakeholders to take into account their expectations and build new models of value creation
Actions for the development of territories
Measures implemented for maintenance and access to services adapted to the local context
Solidarity actions led by the Veolia Foundation

7

CORPORATE GOVERNANCE

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

7.1 Members of the Board of Directors AFR

7.1.1 MEMBERS OF THE BOARD OF DIRECTORS AND POSITIONS AND OFFICES HELD BY DIRECTORS AND THE NON-VOTING MEMBER (*CENSEUR*)

7.1.1.1 Profile of the Board of Directors as of March 5, 2019

15
Directors

69.2%
Independent Directors(1)

2
Directors representing employees

61
Average age of Directors

4
Non-French Directors

46%
Female Directors(1)

With the exception of the Directors representing employees, the members of the Board of Directors are elected individually by shareholders at General Shareholders' Meetings at the recommendation of the Board, which, in turn, receives proposals from the Nominations Committee. Board members may be removed at any time pursuant to a decision of the General Shareholders' Meeting. With the exception of Directors representing employees, each director must hold at least 750 registered shares in the Company.

Finally, the Company's Board of Directors also includes a representative from the Company's 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.*

7.1.1.2 Members of the Board of Directors as of March 5, 2019

	Age	Gender	Nationality	Number of shares	Number of mandates in non-VE listed companies (2)	Indepen-dence	Start of current 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*	60	M	French	39,341	0		05/07/2010 2022 GSM	8	100%				
Louis Schweitzer *Vice-Chairman*	76	M	French	31,132	0		04/30/2003 2019 GSM	15	85.71%		● Chairman	● Member	
Maryse Aulagnon *Senior Independent Director*	69	F	French	3,000	1	✦	05/16/2012 2019 GSM	6	100%		● Member	● Chairman	
Homaira Akbari	58	F	American	3,000	3	✦	04/22/2015 2019 GSM	3	100%	● Member			
Jacques Aschenbroich	64	M	French	2,176	2	✦	05/16/2012 2020 GSM	6	85.71%	● Member			● Chairman
Caisse des dépôts et consignations, represented by Olivier Mareuse	55	M	French	26,036,119	2	✦	03/15/2012 2021 GSM	6	71.43%				
Isabelle Courville	56	F	Canadian	1,000	2	✦	04/21/2016 2020 GSM	2	85.71%	● Member	● Member		● Member
Clara Gaymard	59	F	French	750	3	✦	04/22/2015 2019 GSM	3	85.71%			● Member	● Member
Marion Guillou	64	F	French	750	2	✦	12/12/2012 2021 GSM	7	100%			● Member	● Member
Franck Le Roux(1) ✪	54	M	French	N/A	0		10/15/2018 10/15/2022	-	100%	● Member		● Member	
Pavel Páša(1) ✪	54	M	Czech	N/A	0		10/15/2014 10/15/2022	4	100%				● Member
Baudouin Prot	67	M	French	1,687	2		04/30/2003 2019 GSM	15	85.71%				
Nathalie Rachou	61	F	French	822	2	✦	05/16/2012 2020 GSM	6	100%	● Chairman			
Paolo Scaroni	72	M	Italian	916	1		12/12/2006 2021 GSM	12	100%				
Guillaume Texier	45	M	French	750	1	✦	04/21/2016 2020 GSM	2	100%				● Member
Serge Michel ▲	92	M	French	3,094	0	N/A	04/21/2016 2020	-	-				
NUMBER OF MEETINGS IN 2018									7	5	6	3	3
AVERAGE ATTENDANCE RATE IN 2018									93.3%	92%	100%	100%	94.4%

● Chairman ● Member ▲ Non-voting member (censeur) ✪ Director representing employees.
✦ Independent pursuant to AFEP-MEDEF Code independence criteria, as assessed by the Board of Directors.
N/A: not applicable.

(1) Director representing employees, not taken into account when calculating independence percentages pursuant to Article 8.3 of the AFEP-MEDEF Code (see Chapter 7, Section 7.2.1.1 below).
(2) VE: Veolia Environnement.

7

7.1.1.3 Positions held by Directors and the non-voting member (*censeur*)

The positions and offices held by the Directors and the non-voting member *(censeur)* stated below are current as of December 31, 2018 based on updated or known information as of the date of filing of this Registration Document with the French Financial Markets Authority (AMF):

ANTOINE FRÉROT

Chairman and Chief Executive Officer and Director of Veolia Environnement*

60 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 Overseas Departments and Territories. In 1983, he joined the Center for Study and Research of the École Nationale des Ponts et Chaussées as a project manager and then served as assistant director from 1984 to 1988. From 1988 to 1990, he was head of Financial Transactions at Crédit National. In 1990, Antoine Frérot joined Compagnie Générale des Eaux as a project manager and, in 1995, became Chief Executive Officer of CGEA Transport. In 2000, he was appointed Chief Executive Officer of CONNEX, the Transport Division of Vivendi Environnement, and a member of the Executive Committee of Vivendi Environnement. In January 2003, he was appointed Chief Executive Officer of Veolia Eau, the Water Division of Veolia Environnement*, and Senior Executive Vice President of Veolia Environnement*. In November 2009, he was appointed Chief Executive Officer, and in December 2010, Chairman and Chief Executive Officer of Veolia Environnement*.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
In France: • 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 Envie; • Chairman of the non-profit organization Centre d'Arts Plastiques de Royan; • Director of CNER, the Federation of French investment and economic development agencies; • Director of the non-profit organization Amis de la Bibliothèque Nationale de France; • Chairman of Institut de l'entreprise; • Director of the non-profit organization Anciens élèves de l'École Polytechnique (l'AX).	**In 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; • Member of the A and B Supervisory Boards of Dalkia[VE] (formerly Dalkia holding) until 07/25/2014; • Chairman of the Supervisory Board of Dalkia France[VE] until 07/24/2014; • Chairman of Campus Veolia Environnement[VE] until 05/05/2014; • Chairman of VE France Régions[VE] until 04/12/2014; **Outside France:** • Member of the Management Board of Veolia Environmental Services North America[VE] (United States) until 05/15/2014.

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
**: listed company.*
[VE]: Group company.

Experience in Veolia's businesses *International experience* *R&D* *Bank Finance* *CSR* *Public Affairs*

LOUIS SCHWEITZER

Director of Veolia Environnement*; Vice-Chairman of the Board of Directors, Chairman of the Nominations Committee; Member of the Compensation Committee

76 years old
French

Date of first appointment:
April 30, 2003

Date of reappointment:
April 22, 2015

Expiry of current office:
2019 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.

Principal positions held outside the Company – Other offices

Principal positions held outside the Company:
- Chairman of Initiative France.

Other offices and positions exercised in any company/entity:

In France:
- Member of the Board of the National Political Science Foundation;
- Director of the Société des Amis du Musée du Quai Branly;
- Chairman of the Board of Directors of Festival d'Avignon;
- Chairman of the Board of Directors of Maison de la culture MC 93.

Positions or offices expired in the last five years

In France:
- Commissioner General for Investment;
- Senior Independent Director of Veolia Environnement* until 11/30/17;
- Chairman of the Veolia Environnement* Compensation Committee until 11/30/17;
- Member of the Board of Musée du Quai Branly;
- Chairman of the French Foreign Affairs Council;
- Director of L'Oréal*;
- Member of the Board of Directors of BPI France.

Outside France:
- Member of the Advisory Board of Allianz* (Germany);
- Member of the Advisory Board of Bosch (Germany).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
**: listed company.*
VE: Group company.

International experience *Industry* *Bank Finance* *CSR* *Public Affairs*

MARYSE AULAGNON

Independent Director of Veolia Environnement*; Senior Independent Director; Chairman of the Compensation Committee; Member of the Nominations Committee

69 years old
French

Date of first appointment:
May 16, 2012

Date of reappointment:
April 22, 2015

Expiry of current office:
2019 GSM

Number of shares held:
3,000

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 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 member of the Supervisory Board of the BPCE banking group (Banques Populaires Caisses d'Epargne) since December 2010 and a director of Air France-KLM* (Chairman of the Audit Committee) since July 2010. Finally, she is also active in a number of professional associations (including Fondation Palladio, FSIF, founding member of Cercle 30, etc.), as well as cultural and university organizations (including Fondation des Sciences-Po 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*;
- Member of the Supervisory Board of BPCE (Banques Populaires Caisses d'Epargne) group.

Outside France:
- Director of Holdaffine BV, Affine group (Netherlands).

Positions or offices expired in the last five years

In France:
- Chairman and Chief Executive Officer of Affine R.E.*;
- Representative of Affine R.E.* and MAB-Finances 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);

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**: listed company.*
VE: Group company.

Experience in Veolia's businesses *International experience* *Industry* *Bank Finance* *Public Affairs*

HOMAIRA AKBARI

Independent Director of Veolia Environnement*; Member of the Audit and Accounts Committee

58 years old
American

Date of first appointment:
April 22, 2015

Expiry of current office:
2019 GSM

Number of shares held:
3,000

Qualifications:

Homaira Akbari has a Ph.D. in particle physics from Tufts University and an MBA from the Carnegie Mellon University in the United States. She has held several executive positions in Microsoft Corporation, Thales group, TruePosition, Inc., a subsidiary of Liberty Media Corporation and the Cambridge Strategic Management group. From 2007 to 2012, she served as Chief Executive Officer of SkyBitz, Inc., the leading provider of Internet of Things (IoT) and security solutions, specializing in real time SaaS decision-making platforms. Homaira Akbari is currently Chief Executive Officer of AKnowledge Partners, LLC, a global advisory firm providing high-impact consultative strategies, solutions and advice to leading Fortune 1,000 US companies and private equity firms operating in the IoT, security, Big Data and artificial intelligence sectors.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: • President and Chief Executive Officer of AKnowledge Partners (United States). Other offices and positions exercised in any company/entity: Outside France: • Director and member of the Audit Committee of Landstar System Incorporation* (United States); • Director of Gemalto NV* (Netherlands); • Director of Banco Santander* (Spain).	Outside France: • Director of Covisint Corporation* (United States).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
**: listed company.*
VE: Group company.

International experience *Industry* *R&D* *Digital*

JACQUES ASCHENBROICH

Independent Director of Veolia Environnement*; Chairman of the Research, Innovation and Sustainable Development Committee; Member of the Audit and Accounts Committee

64 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 Septemb[er] 1, 2007. He was also Director of ESSO S.R.F until June 2009. He was appointed Director and Chief Executive Officer of Valeo* in March 2009, followed by Chairman and Chief Executive Officer on February 18, 2016.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:
- Director and Chairman and Chief Executive Officer of Valeo*.

Other offices and positions exercised in any company/entity:

In France:
- Director and member of the Accounts Committee of BNP Paribas*;
- Chairman of the Board of Directors of École nationale supérieure des mines ParisTech;
- 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);
- Director of Valeo Service España, S.A. (Spain).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
**: listed company.*
VE: Group company.

International experience *Industry* *R&D* *Bank Finance* *Public Affairs*

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: **26,036,119**

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

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.

Positions or offices expired in the last five years

In France:
- Director of Oseo SA.

OLIVIER MAREUSE

Permanent representative of Caisse des dépôts et consignations on the Board of Directors of Veolia Environnement*

55 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 October 2010, he was appointed deputy Chief Financial Officer (CFO) of the Caisse des dépôts group, followed by CFO on December 15, 2010. He is Director of Savings Funds at Caisse des dépôts group since Septemb[er] 1, 2016. He is also Director of Asset Management at Caisse des dépôts group. He is also a member of the CDC group Executive Committee.

Principal positions held outside the Company – Other offices

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 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.

Positions or offices expired in the last five years

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.

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**: listed company.*
VE: Group company.

Industry *Bank Finance* *Public Affairs*

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

56 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. Since 2013, she has been Chair of the Board of Laurentian Bank of Canada. She is a Board member of Canadian Pacific Railway and SNC Lavalin*. She also sits on the Board of the Canadian Institute of Corporate Directors and the Institute for Governance of Private and Public Organizations.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:
- Chairman of the Board of Directors of Laurentian Bank of Canada.

Other offices and positions exercised in any company/entity:

Outside France:
- Director and Chairman of the Compensation 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:
- 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* *Industry* *Bank Finance* *CSR* *Public Affairs*

CLARA GAYMARD

Independent Director of Veolia Environnement*; Member of the Compensation Committee; Member of the Research, Innovation and Sustainable Development Committee

59 years old
French

Date of first appointment:
April 22, 2015

Expiry of current office:
2019 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:
- 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 Industry Bank Finance CSR Digital Public Affairs

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MARION GUILLOU

Independent Director of Veolia Environnement*; Member of the Compensation Committee; Member of the Research, Innovation and Sustainable Development Committee

64 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). She has been a Special State Advisor since June 2017.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:
- special State Advisor.

Other offices and positions exercised in any company/entity:

In France:
- Chairman of the Board of Directors of Agreenium, the French Institute of Agronomics, Veterinary Science and Forestry;
- Director of BNP Paribas*;
- Director of Imerys*;
- Member of the National Council of the Legion of Honor;
- Member of the Board of Directors of 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 BIOVERSITY;
- Member of the Board of CIAT.

Positions or offices expired in the last five years

In France:
- 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 CGIAR;
- Member of the FAO HLPE.

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**: listed company.*
VE: Group company.

International experience *R&D* *CSR* *Public Affairs*

FRANCK LE ROUX

Director representing employees of Veolia Environnement*; Social Protection Officer; Member of the Audit and Accounts Committee; Member of the Compensation Committee

54 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

PAVEL PÁŠA

Director representing employees of Veolia Environnement*; Member of the Research, Innovation and Sustainable Development Committee

54 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	**In France:** • Member of the Veolia[VE] European Works Council; • Officer of the Veolia[VE] European Works Council.

*: 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.

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BAUDOUIN PROT

Director of Veolia Environnement*

67 years old
French

Date of first appointment:
April 30, 2003

Date of reappointment:
April 22, 2015

Expiry of current office:
2019 GSM

Number of shares held:
1,687

Qualifications:

Baudouin Prot is a graduate of the École des Hautes Etudes Commerciales (HEC) and of the École nationale d'administration (ENA). From 1974 to 1983, he was successively Deputy Director to the Prefect of the Franche-Comté region, Inspector of Finance at the French Treasury and Deputy to the General Director of Energy and Raw Materials at the Ministry of Industry.
He joined Banque Nationale de Paris in 1983, where he held various positions before being appointed Executive Vice-President in 1992 and Chief Executive Officer in 1996. After being appointed Director and Executive Vice-President of BNP Paribas in March 2000, he was named Director and Chief Executive Officer of BNP Paribas in June 2003. He was appointed Chairman of the Board of Directors of BNP Paribas on Decemb[er] 1, 2011, a position he held until December 1, 2014. He is currently a Senior Advisor at Boston Consulting group and Partners group.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:
- Senior Advisor of Boston Consulting group (France);
- Senior Advisor at Partners group (France).

Other offices and positions exercised in any company/entity:

In France:
- Chairman of the Supervisory Board of Foncia;
- Director of Kering*;
- Chairman of the BNP Paribas Emergency & Development Fund;
- Director and member of the Appointments and Compensation Committee of Alstom*.

Outside France:
- Director of BGL BNP Paribas (Luxembourg);
- Director of Finastra (United Kingdom).

Positions or offices expired in the last five years

In France:
- Chairman of the Board of Directors of BNP Paribas*;
- Director of Lafarge*.

Outside France:
- Director of Pargesa Holding SA* (Switzerland);
- Member of the Institute of International Finance (United States);
- Vice-Chairman of the International Monetary Conference – IMC;
- Member of the Monetary Authority of Singapore (MAS) International Advisory Panel (Singapore);
- Member of the International Business Leaders' Advisory Council (IBLAC) of the City of Shanghai (China).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
**: listed company.*
[VE]: Group company.

International experience *Bank Finance* *Public Affairs*

NATHALIE RACHOU

Independent Director of Veolia Environnement*; Chairman of the Audit and Accounts Committee

61 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 Etudes 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:

- 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 *Bank Finance* *Public Affairs*

PAOLO SCARONI

Director of Veolia Environnement*

72 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

Qualifications:

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;
- Vice-Chairman of London Stock Exchange Plc* (United Kingdom);
- Member of the Board of Directors of Assicurazioni Generali* (Italy);
- Chief Executive Officer of ENI* (Italy);
- Member of the Board of Directors of Fondazione Teatro alla Scala (Italy).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended.
**: listed company.*
VE: Group company.
International experience *Industry* *Bank Finance* *Public Affairs*

GUILLAUME TEXIER

Independent Director of Veolia Environnement*; Member of the Research, Innovation and Sustainable Development Committee

45 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 subsequently appointed General Manager of gypsum activities in Canada, Vice President of the roofing materials activity in the US and Vice President of the ceramic materials activity worldwide. He was Chief Financial Officer of Compagnie 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* *Industry* *Bank Finance* *Public Affairs*

SERGE MICHEL

Non-voting member (*censeur*)

92 years old
French

Date of first appointment:
April 21, 2016

Expiry of current office:
2020

Number of shares held:
3,094

Serge Michel has spent his entire career in the construction and public works sector. After having held the position of Executive Vice-President with Compagnie de Saint-Gobain and been Chairman of Socea, he chaired the SGE group until 1991 and the CISE group until 1997. He served as Executive Vice-President of Compagnie Générale des Eaux until 1992. Chairman of Soficot until 2016, Serge Michel is currently Chairman of SM Conseil. He was appointed to the position of non-voting member (censeur) by the Board of Directors at its March 8, 2016 meeting, taking effect at the end of the April 21, 2016 General Shareholders' Meeting for a period of four years and expiring at the end of the 2020 General Shareholders' Meeting.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: • Chairman of SM Conseil. **Other offices and positions exercised in any company/entity:** **In France:** • Director of SARP Industries[VE]; • Member of the Supervisory Board of Société des Eaux de Trouville Deauville et Normandie[VE]; • Permanent representative of CEPH on the Board of Directors of SEDIBEX[VE].	**In France:** • Chairman of Soficot SAS; • Director of Veolia Environnement* • Director of Orsay Finance 1; • Director of Infonet Services; • Chairman of Carré des Champs-Élysées; • Director of LCC SA; • Chairman of Société Gastronomique de l'Étoile; • Chairman of Groupe Épicure; • Chairman of Les Joies de Sofi.

*: *listed company.*
[VE]: *Group company.*

7

7.1.2 RENEWALS PROPOSED TO THE GENERAL SHAREHOLDERS' MEETING OF APRIL 18, 2019

At the recommendation of the Nominations Committee, the Board of Directors' meeting of March 5, 2019 decided to recommend the renewal by the Combined General Meeting of April 18, 2019 of the terms of office as Director of Mr. Louis Schweitzer, Mrs. Maryse Aulagnon and Mrs. Clara Gaymard, for a period of four years expiring at the end of the 2023 Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2022. Subject to the approval of this resolution by the Combined General Meeting of April 18, 2019, the Board of Directors will appoint Mr. Louis Schweitzer as Vice-Chairman and Mrs. Maryse Aulagnon as Senior Independent Director of the Company for the duration of their terms of office as Director.

The renewal or replacement of the terms of office of Mrs. Homaira Akbari and Mr. Boudouin Prot at the end of the Shareholders' Meeting of April 18, 2019, is not proposed.

7.1.3 CONVICTIONS, BANKRUPTCIES, CONFLICTS OF INTEREST AND OTHER INFORMATION

Based on statements made by the members of the Board of Directors to Veolia Environnement, there are, to the best of the Company's knowledge, no family ties among the members of the Company's Board of Directors and, during the last five years: (i) no member of the Board of Directors of Veolia Environnement has been convicted of fraud; (ii) no member of the Board of Directors has been involved in a bankruptcy, receivership or liquidation proceedings; (iii) no statutory or regulatory authority (including designated professional organizations) has made any official public accusation and/or imposed a penalty on these persons; and (iv) no director has been forbidden by a court from holding a position as a member of a Board of Directors or of a Management or a Supervisory Body of a publicly held company or from participating in the management or business operations of a publicly held company.

To the best of the Company's knowledge, no conflicts of interest exist at Veolia Environnement Board of Directors or Executive Management level. 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 by Mr. Antoine Frérot under the long-term incentive plan known as the *Management Incentive Plan* (MIP) and a portion of the shares that would be vested under the performance share plan of May 2, 2018 (see Section 7.4.1.1 below).

7.2 Activities of the Board of Directors and its Committees AFR

7.2.1 ACTIVITIES OF THE BOARD OF DIRECTORS

7.2.1.1 Corporate Governance principles and the AFEP-MEDEF Code

The Company applies a Corporate Governance Code in accordance with the provisions of the French Commercial Code and as part of the listing of its shares on the Euronext Paris regulated market.

It is recalled that the Company's Board of Directors confirmed that the Company follows the AFEP-MEDEF Corporate Governance Code of listed corporations (hereinafter the "AFEP-MEDEF Code") (http://www.afep.com/publications/code-afep-medef/).

In accordance with the "comply or explain" rule introduced by Article 2.7.1 of the AFEP-MEDEF Code, the Company notes that no recommendations of this Code were disregarded in fiscal year 2018.

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 2018

The Combined General Meeting of April 19, 2018 renewed Mr. Antoine Frérot's term of office as Director for a period of four years expiring at the end of the 2022 General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2021.

In addition, Mr. Daniel Bouton and Qatari Diar Real Estate Investment Company did not seek renewal of their terms of office as Director and Mr. Paul-Louis Girardot did not seek renewal of his term of office as a non-voting member (*censeur*).

Date of GSM	Expiry of term of office	Renewal	Appointment
April 19, 2018	Qatari Diar Real Estate Investment Company, represented by Nabeel Al-Buenain Daniel Bouton Paul-Louis Girardot, non-voting member (*censeur*)	Antoine Frérot	None

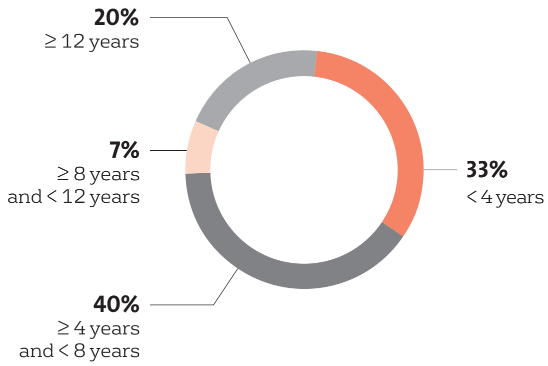
Planned changes in 2019[1]

As part of the annual renewal of the Board of Directors, the Board of Directors' meeting of March 5, 2019 formally noted the expiry of the terms of office of five Directors (Mr. Louis Schweitzer, Mrs. Homaira Akbari, Mrs. Maryse Aulagnon, Mrs. Clara Gaymard and Mr. Baudouin Prot) at the end of the Shareholders' Meeting on April 18, 2019 and that Mrs. Homaira Akbari and Mr. Baudouin Prot did not seek the renewal of their terms of office at the end of this Shareholders' Meeting.

At the recommendation of the Nominations Committee, the Board of Directors' meeting of March 5, 2019 decided to recommend the renewal by the Combined General Meeting of April 18, 2019 of the terms of office as Director of Mr. Louis Schweitzer, Mrs. Maryse Aulagnon and Mrs. Clara Gaymard, for a period of four years expiring at the end of the 2023 Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2022.

Following this proposed renewal, and **subject to its approval by the Shareholders' Meeting of April 18, 2019 and taking account of the non-renewal/non-replacement of Mrs. Homaira Akbari and Mr. Baudouin Prot, the Board of Directors would have thirteen members, including two Directors representing employees and five women (*i.e.* 45.45%[2][3]), as well as one non-voting member (*censeur*).**

Length of service of Directors as of December 31, 2018



(1) *Subject to the approval of shareholders at the Combined General Shareholders' Meeting of April 18, 2019.*

(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 Registration Document, the Board has four non-French Directors (Mrs. Homaira Akbari, a US citizen, Mrs. Isabelle Courville, a Canadian citizen, Mr. Paolo Scaroni, an Italian citizen, and Mr. Pavel Páša, a Czech citizen), representing 26.67% 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	●	●	●	●		●		
Homaira Akbari		●		●	●			●
Jacques Aschenbroich		●	●	●	●	●		
Caisse des dépôts et consignations, represented by Olivier Mareuse			●	●		●		
Isabelle Courville	●	●	●	●		●	●	
Clara Gaymard		●	●	●		●	●	●
Marion Guillou		●	●		●		●	
Franck Le Roux, Director representing employees	●						●	
Pavel Páša, Director representing employees	●						●	
Baudouin Prot		●	●			●		
Nathalie Rachou		●	●			●		
Paolo Scaroni		●	●	●		●		
Guillaume Texier	●	●	●	●		●		
RATE PER CRITERION	40%	80%	80%	60%	26.6%	73.3%	46.6%	13.3%

Training and integration of directors

At the request of the Board of Directors, the Company organizes training for new directors on the specific aspects of the Group's businesses to facilitate their integration, particularly through site visits. Moreover, to facilitate their integration, new Board members may meet the Group's key Executive Officers.

Thus, in the context of the integration of two directors representing employees at the end of 2014, the Company organized in 2014 and 2015 an internal training session for them and enrolled them in an outside training program designed by the IFA and Sciences Po which led to the issue of a Corporate Director's Certificate.

In addition, since 2015, the Company has organized meetings between directors and economic and political leaders and director visits to Group operating sites, including exchanges with Group operating teams, notably in the Czech Republic, the United Kingdom and China.

These annual visits contribute to a better understanding of Veolia's businesses.

7.2.1.3 Independence of directors

Director independence criteria

According to the internal regulations of the Board of Directors, regularly updated to incorporate legal and regulatory changes, members are considered independent if they have no relationship with the Company, its Group or its management that might compromise their ability to exercise their judgment objectively. The internal regulations adopt the Independent Director criteria set-out in the AFEP-MEDEF Code:

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 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 5, 2019, 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 13 excluding the two Directors representing employees) as independent: Homaira Akbari, 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. CDC is classified as a non-independent director due to the existence of common interests between CDC and the Company, given the Company holds 30% of the share capital of Transdev Group (TDG), a 70% subsidiary of CDC. The Nominations Committee and the Board, having noted that:

(i) CDC is not a major shareholder of the Company as defined by the AFEP-MEDEF Code (stake of 4.6% of the share capital and 8.9% of voting rights) and is not the Company's largest shareholder;

(ii) the residual stake in TDG was sold on January 9, 2019 to the German group, Rethmann;

examined and assessed whether 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) could represent a "significant business relationship" impacting the independence classification of CDC. The Nominations Committee and the Board considered that this lease, which entered into effect on July 18, 2016, of an annual amount of €16.9 million and negotiated on an arm's length basis, could not be considered as 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 €110 million) over the remaining lease term (nine-year lease expiring in July 2025), does not represent a significant portion of the business or assets of these two groups (well below 1%).

Accordingly, as of the date of filing of this Registration Document, the Company's Board of Directors therefore has **nine independent members out of a total of 13 Directors** (the Directors representing employees are not taken into account when determining these percentages), representing a rate of **69.2%**, in excess of the AFEP-MEDEF Code recommendation [1].

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".

(1) Pursuant to Article 8.3 of the AFEP-MEDEF Code, "The Independent Directors should account for half the members of the Board in widely-held companies without controlling shareholders. In controlled companies, Independent Directors should account for at least one third of Board members. Directors representing employee shareholders and Directors representing employees are not taken into account when determining these percentages."

	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**
Homaira Akbari	✦	✦	✦	✦	✦	✦	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 Páša, Director representing employees	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Baudouin Prot	✦	✦	✦	✦	✦		N/A	N/A	Not independent
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.

Subject to approval of the renewal of the terms of office of Mrs. Maryse Aulagnon, Mrs. Clara Gaymard and Mr. Louis Schweitzer, proposed to the General Shareholders' Meeting of April 18, 2019 and the non-renewal/non-replacement of Mrs. Homaira Akbari and Mr. Baudouin Prot, the Board of Directors would have nine Independent Directors out of a total of 11 Directors (excluding the two Directors representing employees), representing a rate of 81.81%, 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).

(1) *Pursuant to Article 8.3 of the AFEP-MEDEF Code, "The Independent Directors should account for half the members of the Board in widely-held companies without controlling shareholders. In controlled companies, Independent Directors should account for at least one third of Board members. Directors representing the employee shareholders and directors representing employees are not taken into account when determining these percentages."*

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 2018, the Board of Directors met seven times and its meetings lasted an average of around three hours (as in 2017). In addition, on December 13 and 14, the Board members attended a seminar dedicated to the Group's strategy, during which they reviewed and discussed strategic issues presented by management over two half-days. Based on the expectations expressed during the annual assessment of the Board's activities and those collected from directors in June 2018, discussions notably focused on:

- the review of the current strategic plan trajectory (2016-2019);
- the analysis and future development of the Veolia business portfolio.

The average attendance rate at Board meetings in 2018 was over **90%** (unchanged on 2017). The option to participate through electronic communication was used in five out of seven meetings in 2018 (compared with three out of six meetings in 2017).

Individual attendance rates are presented in Section 7.1.1.2 above.

Date of Board of Directors' meeting (Fiscal year 2018)	Attendance rate
February 21	14/17 (82.35%)
March 6	16/17 (94.12%)
April 19	15/16 (93.75%)
May 2	14/15 (93.33%)
June 28	13/15 (86.67%)
July 31	15/15 (100%)
November 6	14/15 (93.33%)

Work of the Board of Directors in 2018

In 2018, the Board of Directors examined the following points in particular:

Financial and cash positions and commitments of the Group	• review of the 2017 annual financial statements and the 2018 first-half financial statements; • accounting information for the first and third quarters of 2018; • 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 2018 budget and the long-term plan; • review of several Group activities, including the Water France business, and activities in the UK and North America; • 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 and the policy for increasing the number of women managers; • review of succession plans for Executive Committee members and the Chairman and Chief Executive Officer; • examination of the summaries and reports issued by its Chairman on the work of the Research, Innovation and Sustainable Development Committee (see Section 7.2.2.4 below).
Corporate governance	• approval of the Chairman and Chief Executive Officer compensation policy and amount for 2017 and 2018 at the recommendation of the Compensation Committee; • examination of a free share and performance share grant plan; • review of the selection of directors when renewing the composition of the Board; • review of the Group's compliance and ethics structure; • assessment of the independence of directors; • allocation of directors' fees; • assessment of the organization and operations of the Board and each of its committees; • review of the Board's internal regulations; • 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; • 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 2018, 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, Chief Operating Officer and the Legal Director attended Board meetings in 2018. 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 must devote one point on its agenda to an assessment of how it operates, to be prepared by the Nominations Committee, and arrange a discussion about the way in which it operates in order to:

- improve its effectiveness;
- check that major issues are suitably prepared and discussed by the Board;
- and measure the effective contribution of each member to the Board's work.

Furthermore, the Board's internal regulations require that a formal assessment be performed every three years by an external organization under the supervision of the Nominations Committee, with the aim of checking that the operating principles of the Board have been complied with and identifying possible improvements in its operation and effectiveness. The Nominations Committee produces an annual report for the Board of Directors, which the Directors discuss, assessing how the Chairman and directors have performed, as well as the actions taken by Executive Management.

The Chairman of the Nominations Committee reported to the **Board of Directors' meeting of March 6, 2018,** on the results of the formal assessment of the Board, its Committees and Executive Management action, performed with the assistance of an external firm and using a questionnaire sent to each director, completed by individual interviews. Since the last assessment, the Directors are satisfied with the implementation of the resulting recommendations and unanimously noted improvements in the Board's activities, its momentum (quality of Director involvement in the decision process) and performance (quality of decisions made). They welcomed, in particular, the quality of the annual seminar on the Group's strategy, the opening-up of debate within the Board, the attentiveness and reactiveness of the Chairman and Chief Executive Officer in implementing the recommended areas for improvement and the efforts made to enable Directors to deepen their knowledge of the various Group businesses. The organization of visits to the Group's operating sites is, in particular, considered extremely useful for improving understanding of the Group's businesses and enables operating managers to be met at this time. Areas for improvement identified include closer monitoring of certain Board decisions and of the conduct of business at country level, as well as a more in-depth analysis of certain strategic issues (notably digital challenges in the Group's businesses and human resources policy). With regards to governance, the Directors consider that the executive sessions without the presence of the Chairman and Chief Executive Officer introduced in 2017 at the end of each Board meeting could be usefully followed by a second executive session involving the Chairman and Chief Executive Officer. They are satisfied with the work performed by the Board Committees, as well as the changes in the Chairmen and composition of the Accounts and Compensation Committees, resulting in an increased female presence on these Committees. Continuing the discussions launched in 2017 on the size and composition of the Board, a majority of Directors would like to see a reduction in the Board's size and continued discussions on the areas of Board expertise which require strengthening.

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.

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 advice.

As of the date of the filing of the Registration Document, the Board of Directors has one non-voting director (*censeur*): Mr. Serge Michel appointed on April 21, 2016 for a period of four years, expiring at the end of the 2020 General Shareholders' Meeting. He is consulted extremely regularly due to his experience and knowledge of the Group and its businesses.

In addition, this position also offers a way to integrate one or more director candidates before proposing their appointment to a General Shareholders' Meeting. This technique was adopted with Mrs. Isabelle Courville, who performed these duties prior to her appointment as a director by the General Shareholders' Meeting of April 21, 2016.

7.2.1.5 Role of the Chairman of the Board of Directors

The internal regulations of the Board set out the role of the Chairman of the Board of Directors.

The Chairman of the Board of Directors organizes and directs the work of the Board, on which he reports to General Shareholders' Meetings. He is responsible for preparing reports on the organization of the Board's work, internal control and risk management. He chairs General Shareholders' Meetings.

More generally, the Chairman of the Board of Directors ensures the proper operation of the Company's corporate bodies and compliance with good governance principles and practices, in particular regarding the Board Committees. He ensures that the Directors are capable of performing their duties and that they are adequately informed. He devotes the time necessary to questions concerning the Group's future and, in particular, those relating to the Group's strategy.

In accordance with the internal regulations, the Directors are required to promptly inform the Chairman and the Board of all conflicts of interest, even if only potential, and of all proposed agreements that may be entered into by the Company in which they may have a direct or indirect interest.

The Chairman of the Board chairs Board meetings and prepares and coordinates the Board's work.

In this regard, he:

- convenes Board meetings in accordance with the timetable of meetings agreed upon with the Directors and decides if it is necessary to convene Board meetings at any other time;
- prepares the agenda for meetings, supervises the preparation of documentation to be provided to the Directors and ensures that the information contained in them is complete;
- ensures that certain subjects are discussed by the Committees in preparation for Board meetings and ensures that the Committees perform their duty of making recommendations to the Board;
- leads and directs the Board's discussions;
- ensures that directors comply with the provisions of the internal regulations of the Board and of the Committees;
- monitors the implementation of the Board's decisions;
- in conjunction with the Nominations and Compensation Committees, prepares and organizes the periodic assessment of the Board's activities.

The Chairman has all the means required for the performance of his duties.

7.2.1.6 Vice-Chairman/Senior Independent Director

Appointment of a Vice-Chairman/Senior Independent Director

On October 21, 2009, the Board of Directors decided to create the position of Vice-Chairman to assist the Chairman with his duty to ensure the proper operation of the Company's governing bodies, based on the British model of the Senior Independent Director. In accordance with the internal regulations of the Board, the Senior Independent Director is chosen from among the Directors classified as independent for the duration of his/her term of office as 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' Meeting of April 22, 2015.

Mrs. Maryse Aulagnon, for the term of her office as Director and of her appointment as Senior Independent Director as determined by the Board, is responsible for performing duties relating to the smooth running of the Company's governance bodies.

The Board of Directors' Meeting of March 6, 2018 therefore adjusted the duties of the Vice-Chairman and the Senior Independent Director in its internal regulations.

Role of the Vice-Chairman

The Vice-Chairman chairs the meetings of the Board and organizes and directs its work when the Chairman is absent or unable to do so. In particular, he chairs the sessions bringing together members of the Board, with or without the Chairman and Chief Executive Officer (executive sessions), as well as discussions assessing the performance and setting the objectives and compensation of the Chairman and Chief Executive Officer and potentially renewing his appointment.

In 2018, at the end of nearly all the Board meetings, the Vice-Chairman chaired five executive sessions (compared with seven Board meetings in 2018), 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 2019, 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 5, 2019.

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 2018 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 6.5.2.3.5 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 6.5.1 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 22), which requires the Board of Directors to set a minimum quantity of shares to be held by executive corporate officers in registered form until the termination of their duties, and the 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 will be the case for the proposed performance share grant plan scheduled for 2019 and presented to the Combined General Meeting of April 18, 2019 (15th resolution) for authorization.

In accordance notably with the AFEP-MEDEF Code to which the Company refers, the Chairman and Chief Executive Officer and Executive Committee members receiving shares may not enter into risk hedging transactions until the end of the share retention period set by the Board of Directors.

7.2.1.8 Other Information on the operation of the Board

This section summarizes the corresponding sections of the Board of Directors' internal regulations.

Rights and obligations of directors

According to the Board's internal regulations, its members are subject to the following obligations:

- to act in the Company's best interests;
- to inform the Board of any conflict of interest, even potential, and to abstain from voting on any decisions in which they may have a conflict of interest;
- to perform their duties in accordance with statutory provisions, notably those concerning limits on the number of offices, and to regularly attend Board and Committee meetings;
- to stay informed in order to be able to deal effectively with the agenda items;
- to consider themselves bound by professional secrecy and by a duty of loyalty;
- and, to comply with the Company's Code of conduct with respect to securities transactions;
- promptly report to the Chairman of the Board any agreement signed by the Company in which they have a direct or indirect interest or which was concluded through an intermediary on their behalf.

Each director receives a periodically updated "Directors' Guide" which includes the following primary documents: the Company's Articles of Association, the appointment procedure for, and the duties of, the Chairman and Chief Executive Officer, the appointment procedure for, and the duties of, the Vice-Chairman and Senior Independent Director, the internal regulations of the Board of Directors and of the Accounts and Audit Committee, the Nominations and Compensation Committees and the Research, Innovation and Sustainable Development Committee, the French regulations applicable to Audit Committees, the Company's Code of conduct for securities trading and compliance with French stock exchange legislation, the list of directors and the expiry dates of their terms of office, the composition of the Board of Directors' Committees, useful contacts for members of the Board of Directors and the Committees, the composition of the Executive Committee and the current version of the AFEP-MEDEF Code.

Information provided to directors

The Chairman provides directors, in a timely manner, with the necessary information for them to fully perform their duties. In addition, the Chairman provides the members of the Board with all significant information concerning the Company on an ongoing basis. Each director receives and has the right to request all necessary information to perform his/her duties, and may also request additional training concerning specific aspects of the Company and the Group.

In order to fulfill their duties, the Directors may meet with the key management personnel of the Company and Group, subject to giving prior notice to the Chairman of the Board.

At the request of the Chairman or of a director, the heads of the Group's divisions may be invited to any Board meeting devoted to the outlook and strategy for their business sector.

Meeting attendance by electronic means of communication

Directors may participate in Board discussions by videoconference or other electronic means of communication, in the manner and on the terms set out in Articles L. 225-37 and R. 225-21 of the French Commercial Code and as provided for by the internal regulations of the Board of Directors. In such case, directors are deemed to be present for the purpose of calculating quorum and majority, except with regard to the vote on certain major decisions as provided by law and by the Board's internal regulations (in particular, the approval of the annual financial statements and the preparation of the management report and the consolidated financial statements).

7.2.2 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 2018
Nathalie Rachou(1)	✦	Chairman	12/01/2017	100%	5
Homaira Akbari	✦	Member	04/21/2016	60%	
Jacques Aschenbroich	✦	Member	12/12/2012	100%	
Isabelle Courville	✦	Member	12/01/2017	100%	
Franck Le Roux(2)*	N/A	Member	11/06/2018	N/A	
INDEPENDENCE RATE	100%				

(1) Member of the Accounts and Audit Committee since December 12, 2012 and Chairman of the Committee since December 1, 2017.
(2) Member of the Accounts and Audit Committee since November 6, 2018.
** Director representing employees, not taken into account when calculating independence percentages pursuant to Article 8.3 of the AFEP-MEDEF Code*
✦ Independent pursuant to AFEP-MEDEF Code independence criteria, as assessed by the Board of Directors.
N/A: Not Applicable.

The Accounts and Audit Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors at least five times a year to review the periodic and annual financial statements before their submission to the Board of Directors and periodically assesses its own work. The Accounts and Audit Committee has between three and six members appointed by the Board of Directors from among the Directors (excluding those in management positions) on the basis of recommendations made by the Nominations Committee. The Committee's Chairman is appointed by the Board.

During its meeting of November 6, 2018, the Board of Directors adjusted the composition of the Accounts and Audit Committee, by appointing Mr. Franck Le Roux (Director representing employees) as member to replace Mr. Pierre Victoria whose term of office as Director representing employees expired on October 15, 2018.

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 May 2, 2018, the Board of Directors designated, on recommendation of the Accounts and Audit Committee and pursuant to prevailing regulations, Mrs. Nathalie Rachou, Mrs. Homaira Akbari, Mrs. Isabelle Courville and Mr. Jacques Aschenbroich as financial experts. The Board estimated that these Accounts and Audit Committee members had the required competencies and experience.

Planned changes in 2019

The Board of Directors' meeting of March 5, 2019, having duly noted the non-renewal of the term of office of Mrs. Homaira Akbari, at her request, launched a review of her replacement on the Audit and Accounts Committee.

Duties of the Committee

The duties of the Accounts and Audit Committee, according to its internal regulations adopted by the Board, include the tasks assigned by the regulations governing the internal control of financial and accounting information stipulated by the Order of December 8, 2008 enacting into French law the Eighth Directive on the Statutory Audit of Accounts (Directive 2006/43/EC) and the AMF recommendations of July 2010.

In general, the Accounts and Audit Committee is responsible for monitoring matters concerning the preparation and control of accounting and financial information and, in particular, for monitoring:

(i) the integrity of the Group's financial statements and the process for preparing financial information;

(ii) the effectiveness of internal control systems concerning financial and accounting information and the Group's management system for risks expressed in the accounting statements or identified by Executive Management that may affect the financial statements;

(iii) the Group's compliance with statutory and regulatory requirements where these are relevant to financial reporting or internal control;

(iv) the assessment of the Statutory Auditors' capabilities and independence; and

(v) the performance by the Group's Internal Audit Department and the Statutory Auditors of their duties with respect to auditing the parent company and consolidated financial statements.

In this regard, the Committee monitors more particularly the following activities:

- **the process of preparing accounting and financial information:**

(i) together with the Statutory Auditors, reviewing the relevance and consistency of the accounting methods used to prepare the parent company and consolidated financial statements, examining whether major transactions are adequately processed on a Group-wide level,

(ii) reviewing the scope of the consolidated companies and the procedures for collecting financial and accounting information and seeking the explanations and comments of the Statutory Auditors in this respect, where necessary,

(iii) giving an opinion on the draft interim and annual parent company and consolidated financial statements prepared by Executive Management before those statements are presented to the Board,

(iv) interviewing the Statutory Auditors, the members of Executive Management and financial officers, particularly on the off-balance sheet commitments, depreciation/amortization, provisions, goodwill and principles of consolidation; such interviews may be conducted without the presence of the Company's Executive Management,

(v) acquainting itself with, and expressing an opinion on the process of preparing press releases on the publication of the annual or interim financial statements and the quarterly information; and in the context of the Board's examination of the press releases concerning, in particular, the annual and interim financial statements, making sure that the presentation of this financial information to the market is consistent with the information in the financial statements, according to the information in its possession;

- **internal audit:**

(i) acquainting itself with the Company's Audit Charter,

(ii) examining the Group's annual internal audit program on a yearly basis,

(iii) periodically receiving information from the Company with regard to progress with the internal control audit program and the self-assessment of the internal control and risk management system, summaries of the audit assignments carried out and, once a year, an overall analysis of the main lessons learned from the auditing year, and

(iv) interviewing the head of the Internal Audit Department and giving the Committee's opinion on the organization of the work of this department;

- **the effectiveness of internal control and risk management systems**, particularly in the context of Article L. 823-19 of the French Commercial Code:

  • *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 2018

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 Cash flow and Financing Director, and the Company's Statutory Auditors.

During these meetings, the Accounts and Audit Committee particularly:

- reviewed the main accounting options, the annual and interim financial statements and the associated business reports;
- reviewed impairment tests;
- reviewed the draft financial communications;
- reviewed at-risk contracts and the main tax risks to which the Company is exposed;
- reviewed the financial information and business reports for the first and third quarters of 2018;
- 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 2018, and approved the internal audit program for 2019;
- 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;
- reviewed the Statutory Auditors' assignments for 2018. The Committee also reviewed the Statutory Auditors' fee budget for 2018, 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;
- examined the process of integrating companies acquired by the Group;
- reviewed the program and action plan regarding the Group's compliance system.

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[1]

Members and activities

	Independence	Position	First appointment	Attendance rate	Number of meetings in 2018
Louis Schweitzer, *Vice-Chairman*		Chairman	03/25/2014	100%	6
Maryse Aulagnon, *Senior Independent Director*	✦	Member	03/25/2014	100%	
Isabelle Courville[1]	✦	Member	11/06/2018	N/A	
INDEPENDENCE RATE	66.6%				

(1) Member of the Accounts and Audit Committee since November 6, 2018.
✦ 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.

Planned changes in 2019

No changes are currently planned, subject to the renewal of the terms of office of Mrs. Maryse Aulagnon and Mr. Louis Schweitzer by the Combined General Meeting of April 18, 2019.

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

(1) The Nominations Committee was formed by the split of the Nominations and Compensation Committee into two distinct Committees, decided by the Board of Directors' meeting of March 25, 2014.

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 2018

In 2018, 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[(1)]

Members and activities

	Independence	Position	First appointment	Attendance rate	Number of meetings in 2018
Maryse Aulagnon, *Senior Independent Director*	✦	Chairman	12/01/2017	100%	
Clara Gaymard	✦	Member	04/21/2016	100%	
Marion Guillou	✦	Member	11/05/2014	100%	3
Louis Schweitzer, *Vice-Chairman*		Member	04/30/2003	100%	
Franck Le Roux[(1)]*	N/A	Member	11/06/2018	N/A	
INDEPENDENCE RATE	75%				

(1) Member of the Accounts and Audit Committee since November 6, 2018.
** Director representing employees, not taken into account when calculating independence percentages pursuant to Article 8.3 of the AFEP-MEDEF Code.*
✦ Independent pursuant to AFEP-MEDEF Code independence criteria, as assessed by the Board of Directors.
N/A: Not Applicable.

In accordance with its internal regulations, the Compensation Committee has between three and six members, who are appointed by the Board of Directors at the recommendation of the Compensation Committee. The Committee members are selected from among the Directors who do not hold management positions. The Chairman of the Committee is appointed by the Board of Directors at the recommendation of the Committee.

During its meeting of November 6, 2018, the Board of Directors adjusted the composition of the Accounts and Audit Committee, by appointing Mr. Franck Le Roux (Director representing employees) as member to replace Mr. Pierre Victoria whose term of office as Director representing employees expired on October 15, 2018.

Planned changes in 2019

No changes are currently planned, subject to the renewal of the terms of office of Mrs. Maryse Aulagnon, Mrs. Clara Gaymard and Mr. Louis Schweitzer by the Combined General Meeting of April 18, 2019.

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;

(1) The Nominations Committee was formed by the split of the Nominations and Compensation Committee into two distinct Committees, decided by the Board of Directors' meeting of March 25, 2014.

- 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 2018

In 2018, 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 2017;
- the 2018 compensation policy;
- reviewing the Directors' fee budget and allocation;
- examining a free share grant plan for employees and a performance share grant plan for the Chairman and Chief Executive Officer and key managers;
- examining an employee share ownership plan.

7.2.2.4 Research, Innovation and Sustainable Development Committee

Members and activities

	Independence	Position	First appointment	Attendance rate	Number of meetings in 2018
Jacques Aschenbroich	✦	Chairman	12/12/2012	100%	3
Isabelle Courville	✦	Member	04/20/2017	100%	
Clara Gaymard	✦	Member	04/20/2017	100%	
Marion Guillou	✦	Member	12/12/2012	100%	
Pavel Páša*	N/A	Member	11/05/2014	100%	
Guillaume Texier	✦	Member	04/20/2017	66.6%	
INDEPENDENCE RATE	100%				

* *Director representing employees, not taken into account when calculating independence percentages pursuant to Article 8.3 of the AFEP-MEDEF Code.*
✦ *Independent pursuant to AFEP-MEDEF Code independence criteria, as assessed by the Board of Directors.*
N/A: Not Applicable.

According to its internal regulations, the Research, Innovation and Sustainable Development Committee meets when convened by its Chairman or at the request of the Chairman of the Board of Directors. It is required to hold at least three meetings per year. The Committee met three times in 2018 (as in 2017). The average attendance rate was 94.4% (compared with 83.3% in 2017).

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 based at the recommendation of the Chairman of the Board.

Changes planned in 2019

No changes are currently planned, subect to the renewal of the term of office of Mrs. Clara Gaymard by the Combined General Meeting of April 18, 2019.

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 on 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 2018

In 2018, the Committee focused successively on:

- Veolia's positioning in coal-based energy production;
- the Group's positioning in relation to making cities more resilient;
- the assessment of topics analyzed by the Committee over the period 2013-2018, such as the Group's strategy in the water, energy, waste, circular economy, oil and gas and, food and beverages sectors and the integration of digital into the Group's offering;
- capitalization and dissemination of know-how within the Group;
- the Group's CSR performance and non-financial ratings;
- the extent of roll-out of the Group's sustainable development commitments.

7.3 Executive Management and the Executive Committee

7.3.1 FORM OF ORGANIZATION OF EXECUTIVE MANAGEMENT'S POWERS

The law provides that the Board of Directors elects a Chairman from among its members, who must be a natural person. The duties of the Chairman are presented in Section 7.2.1.5 above. The Board of Directors entrusts the Executive Management of the Company to either the Chairman of the Board of Directors (referred to as the Chairman and Chief Executive Officer), or to another natural person, who may or may not be a director, referred to as the Chief Executive Officer.

As mentioned in the AFEP-MEDEF Code, the law states no preference between those two options. Accordingly, the Board of Directors may choose between these combined or separate forms of Executive Management in accordance with its specific requirements.

A review of the practices of CAC 40 companies, shows the combined approach to be the preferred management system, with most companies with a Board of Directors having opted for this form of management.

In December 2010, following the departure of Henri Proglio, Chairman of the Board of Directors and at the recommendation of the Nominations and Compensation Committee, the Board of Directors decided to combine the duties of Chairman of the Board with those of Chief Executive Officer, by appointing Antoine Frérot, Chief Executive Officer since November 27, 2009, Chairman of the Board. 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;
- after consultation with and the recommendation of the Accounts and Audit Committee, investment or divestment transactions of the Group including a commitment of between €150 million and €300 million per transaction, with the exception of financing transactions;
- financing transactions, whatever their terms, (including the early redemption or repurchase of debt) amounting to more than €1.5 billion per transaction if carried out in a single tranche and €2.5 billion if the transaction is carried out in several tranches;
- transactions in the Company's shares involving an overall amount in excess of 1% of the Company's total shares.

7.3.3 EXECUTIVE COMMITTEE

The Chairman and Chief Executive Officer is assisted in the performance of his duties by an Executive Committee, a discussion, consultation and general policy decision-making body which seeks to implement the Group's strategic direction. The Committee is also consulted on major issues concerning the Group's corporate life.

The Executive Committee meets monthly.

As of the date of filing of this Registration Document, the Company's Executive Committee comprises eleven members:

- Antoine Frérot, Chairman and Chief Executive Officer;
- Laurent Auguste, Senior Executive Vice President, Development, Innovation and Markets;
- Estelle Brachlianoff, Chief Operating Officer;
- 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[1];
- Helman le Pas de Sécheval, Secretary General.

In addition, Management Committee meetings bring together, each quarter, members of the Executive Committee with all the Group's functions and geographies in order to share and commit to the Group's challenges and outlook. As of the date of filing of this Registration Document, this Committee has 30 members, including the 11 members of the Executive Committee; its composition can be viewed on Veolia's website (www.veolia.com).

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(1) Global Enterprises was renamed Veolia Technologies and Contracting as of January 1, 2019.

7.4 Compensation and benefits AFR

A summary of compensation paid or payable in respect of fiscal year 2018 to the Chairman and Chief Executive Officer, Antoine Frérot and the 2019 compensation policy presented for shareholder vote at the Combined General Meeting of April 18, 2019, are detailed in Section 7.4.4 below. The information required by Article L. 225-37-2 of the French Commercial Code is presented in this Section.

7.4.1 EXECUTIVE AND DIRECTOR COMPENSATION

The total compensation paid during fiscal year 2018 to the Chairman and Chief Executive Officer, Directors and other senior executives by the Company and by controlled companies within the meaning of Article L. 233-16 of the French Commercial Code is detailed below.

It is noted that the Board of Directors of Veolia Environnement, at its meeting on January 7, 2009, confirmed that the AFEP-MEDEF Code would be the reference used by Veolia Environnement, notably in regard to the compensation of executive corporate officers.

This Registration Document and, in particular, the tables in Sections 7.4.1 and 7.4.3 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 11th resolution on the executive corporate officer compensation policy for fiscal year 2019 presented for shareholders' vote at the General Shareholders' Meeting of April 18, 2019 is presented in Section 7.4.4.2 below.

In addition, pursuant to Article L. 225-110 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 or awarded in respect of the previous 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 components of compensation paid or awarded to executive corporate officers in respect of fiscal year 2018 presented for shareholders' vote at the General Shareholders' Meeting of April 18, 2019 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 for a period of three years:

(i) the amount of the annual fixed compensation;

(ii) the criteria for determining the annual variable compensation;

(iii) the applicable terms and conditions regarding the long-term variable compensation of the Chairman and Chief Executive Officer.

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 to renew these 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, 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.

(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).*

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, has waived receipt of Directors' fees and 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;
- 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 €950,000 for his duties as Chairman and Chief Executive Officer since fiscal year 2015.

In accordance with the new three-year compensation policy applicable from January 1, 2019 and at the recommendation of the Compensation Committee, the Board of Directors 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% aims to bringing this fixed compensation closer to the median fixed compensation of CAC 40 chief executive officers and being in line with the increase in the average 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.

Since 2003, the split of the Chairman and Chief Executive Officer's variable compensation between a quantifiable portion (70%) and a qualitative portion (30%) has remained unchanged.

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.

The quantitative and qualitative criteria for the Chairman and Chief Executive Officer's annual variable compensation for fiscal years 2017, 2018 and 2019 are presented in Section 7.4.1.1.2 below.

Long-term compensation

Based on the principles and recommendations of the AFEP-MEDEF Code (see Article 24.3.3), 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. This compensation is in addition to annual variable compensation and proportionate to annual fixed and variable components. It is 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 18, 2019 for approval are detailed below.

Long-term compensation plan, the Management Incentive Plan (MIP), implemented for fiscal years 2015, 2016 and 2017

Considering the closure of the defined benefit pension plan of which the Chairman and Chief Executive Officer was a member until June 30, 2014, and with the aim of introducing a long-term compensation system, the Board of Directors decided and authorized on August 27, 2014, the launch, in October 2014, of a long-term incentive compensation plan called the "Management Incentive Plan".

The Board of Directors' meeting of March 6, 2018 duly noted Mr. Antoine Frérot's decision to retain, until the end of his duties, 40% of the total bonus allocated under this plan, net of the applicable tax and social charges, until ultimately reaching an overall shareholding corresponding to 200% of his gross fixed annual compensation.

The detailed features of this plan are presented in Section 7.4.3.4 below.

Performance share grant plan implemented 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) 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.

Proposed new performance share grant plan for fiscal years 2019, 2020 and 2021

At the recommendation of the Compensation Committee, the Board of Directors asks shareholders in the 15th resolution presented to the General Shareholders' Meeting of April 18, 2019, to approve a new authorization, for a period of 18 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 2019 with an expiry date in 2022 following the publication of the 2021 financial statements, would replace the plan granted in 2018. 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 2019 fixed compensation.

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 2017, 2018 and 2019

2017 and 2018 fixed compensation

Mr. Antoine Frérot has received annual fixed compensation of €950,000 for his duties as Chairman and Chief Executive Officer since 2015, compared with €900,000 in 2014 (+5.5%).

Annual variable compensation for fiscal year 2017

In accordance with the recommendations of the Compensation Committee, the Board of Directors' Meeting of March 7, 2017 decided to set the method of calculating the 2017 variable compensation as follows:

- retention of the 2017 variable target portion at 100% of the annual fixed compensation (Target bonus base);
- cap on target variable compensation of 160% of annual fixed compensation for 2017, or €1,520,000.

In addition, the criteria for the 2017 variable compensation were set as follows:

- **the quantifiable criteria** (70% of the Target bonus base), consistent with the mid-term outlook published on February 23, 2017, were retained unchanged on 2016. They are allocated as follows, it being noted that the quantifiable portion will be equal to the sum of the four components resulting from the application of each of these criteria separately:
  - 20% based on Group current EBIT[1],
  - 20% based on Group net free cash flow (before financial investments, financial divestments and dividends)[1],
  - 30% based on the growth of the organic Group revenue (at constant exchange rates and excluding acquisitions and divestitures of more than €100 million but including acquisitions of privatized public services),
  - 30% based on Group ROCE[1] (after tax);
- **the qualitative criteria** (30% of the Target bonus base) for the 2017 variable compensation, were also maintained unchanged compared to 2016:
  - health and safety at work (basis: Group lost time injury frequency rate),
  - the environmental performance of the Group[2],

(1) *See Chapter 3, Section 3.10.3 - Definitions, above.*

(2) *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.*

- managerial performance,
- strategic aspects.

At its meeting of March 6, 2018, the Board of Directors, at the recommendation of the Compensation Committee, set and approved the total amount of Mr. Antoine Frérot's variable compensation (quantifiable and qualitative portions) in respect of fiscal year 2017 as follows:

- the quantifiable portion of variable compensation was calculated at €828,774, reflecting a payment rate of 124.6% of the quantifiable portion of the Target bonus base. This reflects a payment rate for the quantifiable portion of the Target bonus base of 103.4% for the Group current EBIT criteria, 160% for the free cash flow criteria, 111.4% for the organic Group revenue (at constant exchange rate) criteria and 128.4% for the Group ROCE (after tax) criteria;
- the Board of Directors decided to allocate €399,000 to Mr. Antoine Frérot in respect of the qualitative portion of his 2017 variable compensation, reflecting a payment rate of 140% of the qualitative portion based on an excellent overall assessment founded on the attainment of the following criteria: health and safety at work (Group lost time injury frequency rate), environmental performance (base: 2016-2017 trend in seven environmental indicators concerning the Group's activities[1], managerial performance and strategic aspects. The Board of Directors particularly noted that health and safety at work as well as environmental performance will require special vigilance so that their respective results continue to increase.

Mr. Antoine Frérot's variable compensation (quantitative and qualitative) for fiscal year 2017 is therefore €1,227,774, or 129% of his Target bonus base. The cap on variable compensation for 2017 was 160% of his Target bonus base, which in turn is equal to 100% of fixed compensation.

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 2017 variable target portion at 100% of the annual fixed compensation (Target bonus base);
- retention of the cap on target variable compensation at 160% of annual fixed compensation for 2017, or €1,520,000.

In addition, the criteria for the 2018 variable compensation were set as follows:

- **the quantifiable criteria** (70% of the Target bonus base), consistent with the mid-term outlook published on February 22, 2018, were retained unchanged compared to 2017. They are allocated as follows, it being noted that the quantifiable portion will be equal to the sum of the four components resulting from the application of each of these criteria separately:
  - 20% based on Group current EBIT[2],
  - 20% based on Group net free cash flow before financial investments, financial divestments and dividends[2],
  - 30% based on the growth of the 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 maintained unchanged on 2017:
  - health and safety at work (basis: Group lost time injury frequency rate),
  - environmental performance (basis: 2017-2018 trend in the same seven environmental indicators as in 2017 concerning the Group's activities)[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.

(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.*

Summary of the calculation of variable compensation

Criteria	Weighting	Percentage of the Target bonus base paid	Amount *(in euros)*
Quantifiable	70%	127.1%	845,064
Qualitative	30%	141%	401,850
TOTAL 2018 VARIABLE COMPENSATION	100%	131%	1,246,914

Payment percentages for quantifiable variable compensation

Criteria	Weight (base 70%)	Percentage of the quantitative Target bonus base paid
Group current EBIT	20%	107.6%
Net free cash flow	20%	160%
Group organic revenue	30%	111%
Group ROCE	30%	134.2%
TOTAL	100%	127.1%

2017 and 2018 long-term compensation

Overview of the share bonus granted in respect of fiscal year 2017 under the Management Incentive Plan

Under the Management Incentive Plan, the long-term incentive plan set-up in October 2014 for the Group's top 300 executives (including Mr. Antoine Frérot, Chairman and Chief Executive Officer, and the members of the Executive Committee), a share bonus of 40,338 shares (representing approximately 90% of his annual fixed compensation) vested to Mr. Antoine Frérot in respect of fiscal year 2017. These shares were delivered following the expiry of the plan on May 4, 2018.

The detailed features and performance conditions are presented in Section 7.4.3.4 below.

Performance share grant in respect of fiscal year 2018

Pursuant to the performance share plan authorized by the Veolia Environnement Extraordinary General 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.

Directors' fees

Since 2012, Mr. Antoine Frérot has decided to waive Directors' fees paid by the Company and Group-controlled companies.

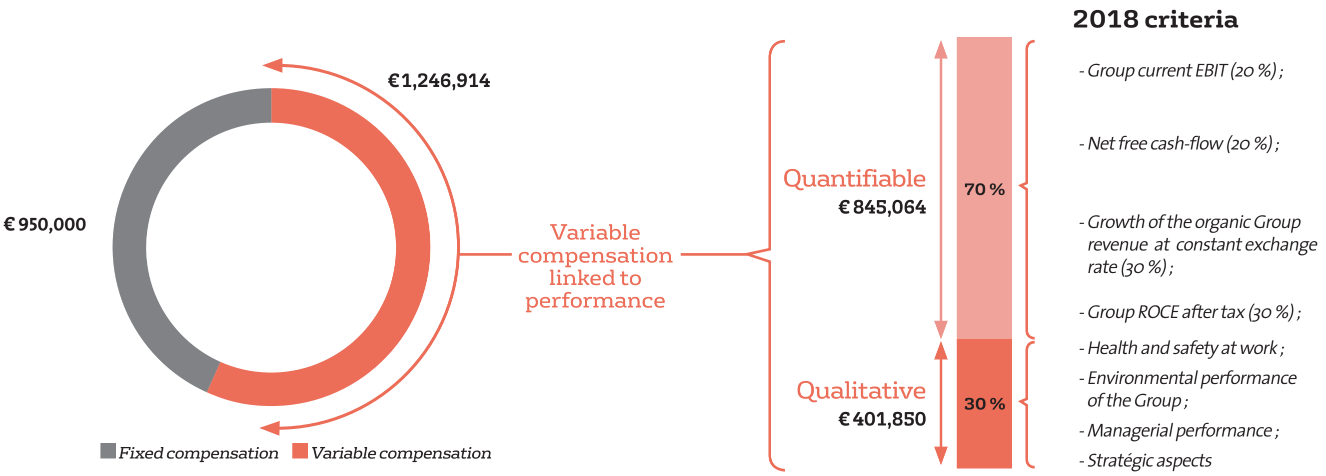
Retirement or other similar benefits

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 Office, Mr. Antoine Frérot

Annual compensation with respect to 2018

Fixed and variable compensation (1) | **Performance of the variable compensation (2)**

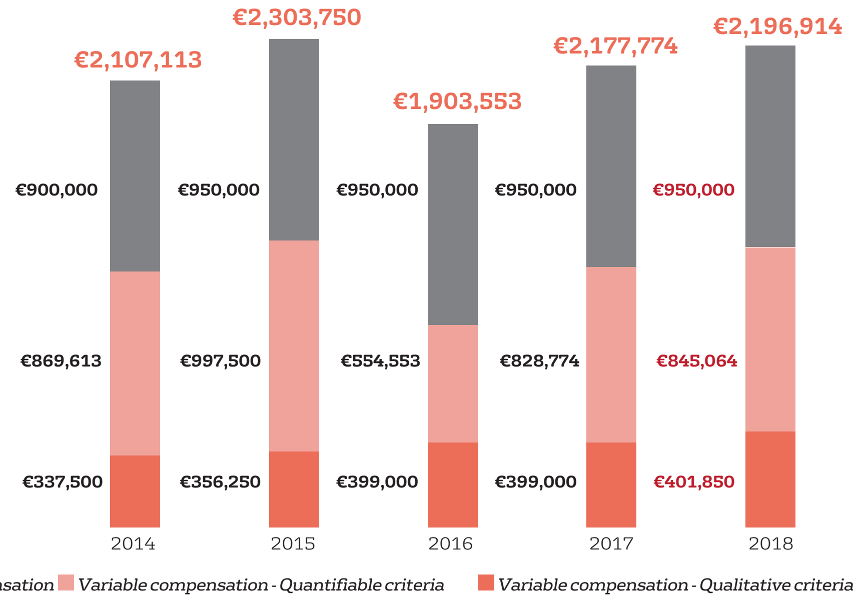


€ 0 (Voluntary renunciation)	**€ 1,676**	
Directors' fees	*Advantages in kind*	*Closure and freezing of the defined benefit pension plan*

Long-term incentive plan with respect to 2018

2018 performance share plan (with an expiry date on May 2021):
Allocation of 49,296 performance shares.

Evolution of the fixed and variable annual compensation over the last five years *(in euros)*



(1) The ceiling of the variable portion with respect to 2018 amounted to 160% of his base target bonus, representing €1,520,000.

(2) The level of attainment of the objectives and the amount of the variable portion of the compensation have been determined by the Board of Directors, upon recommendation of the Compensation Committee, during its meeting of March 5, 2019.

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 2017 and 2018 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 and information on the Management Incentive Plan (MIP) is presented in Section 7.4.3.4 below.

Summary of compensation, options and shares awarded to Mr. Antoine Frérot (AFEP-MEDEF Code Table 1)

(in euros)	Fiscal year 2017	Fiscal year 2018
Compensation payable for the fiscal year	2,179,450	2,198,590
Value of options granted during the fiscal year	-	-
Value of performance shares granted during the fiscal year	-	746,341 (1)
Value of other long-term compensation plans	814,827(2)	-
TOTAL	2,994,277	2,944,931

(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 in respect of fiscal year 2017 of the 40,338 shares delivered under the Management Incentive Plan following expiry, based on the vesting price as of May 4, 2018 of €20.20 (see Section 7.4.3.4).

Summary of compensation paid or payable to Mr. Antoine Frérot (AFEP-MEDEF Code Table 2)

	Fiscal year 2017		Fiscal year 2018	
(en euros)	Amounts payable for the fiscal year	Amounts paid during the fiscal year	Amounts payable for the fiscal year	Amounts paid during the fiscal year
Fixed compensation	950,000	950,000	950,000	950,000
Annual variable compensation	1,227,774(2)	953,553	1,246,914(3)	1,227,774
Exceptional compensation	-	-	-	-
Directors' fees				
• Paid by Veolia Environnement	-	-	-	-
• Paid by controlled companies	-	-	-	-
Benefits in kind(1)	1,676	1,676	1,676	1,676
TOTAL	2,179,450	1,905,229	2,198,590	2,179,450

(1) Provision of a company car.
(2) Variable portion for 2017 paid in 2018.
(3) Variable portion for 2018 payable in 2019 subject to approval by the General Shareholders' Meeting of April 18, 2019.

In fiscal year 2018, Mr. Antoine Frérot received total compensation of €2,179,450. He received the fixed portion of his 2018 compensation (€950,000) and the variable portion of his 2017 compensation, paid in 2018 (€1,227,774). Finally, he received benefits in kind and waived his Directors' fees for 2018 for positions held in the Company and other companies of the Group.

For fiscal year 2018, total compensation payable is €2,198,590, representing a 0.9% increase on fiscal year 2017 and comprising the fixed portion of his 2018 compensation (€950,000), and the variable portion of his 2018 compensation (€1,246,914), as well as benefits in kind. However, pursuant to Article L. 225-100 of the French Commercial Code, the variable component of his 2018 compensation is contingent on the approval of the tenth resolution presented for shareholders' vote at the Combined General Meeting of April 18, 2019 (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 2017	Fiscal year 2018
Mr. Antoine Frérot, Chairman and Chief Executive Officer	-	-
TOTAL	-	-

Employment contract, supplementary pension plan and benefits as of December 31, 2018 (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 below).

2019 compensation policy

In accordance with the recommendations of the Compensation Committee, the Board of Directors' Meeting of March 5, 2019 decided to set as follows the compensation policy for calculating 2019 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 and the means of determining his variable 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. This triennial increase of around 3% aims to bringing this fixed compensation closer to the median fixed compensation of CAC 40 chief executive officers and being in line with the increase in the average fixed compensation of Group managers over the past 3 years.

Annual variable compensation

At the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 5, 2019 decided to continue the three-yearly review of variable compensation with effect from January 1, 2019, in the absence of any major events, and 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 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 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 22, 2018, 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),
  - 30% based on the growth of the 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.

Taking account of the recommendations of the Compensation Committee, the Board of Directors will perform an overall assessment of the 2019 qualitative portion based on these criteria.

(1) See Chapter 3, Section 3.10.3 - Definitions, above.

(2) 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.

2019 Long-term compensation

Proposed Performance Share Grant

At the recommendation of the Compensation Committee, the Board of Directors asks shareholders in the 15th resolution presented to the General Shareholders' Meeting of April 18, 2019, to approve an authorization, for a period of 18 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 2019 with an expiry date in 2022 following the publication of the 2021 financial statements, would succeed the plan granted in 2018.

The detailed features and performance conditions of this proposed performance share plan are presented in Section 7.4.3 below.

At the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 5, 2019 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 18, 2019 of the 15th resolution), 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 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 ultimately reached a total shareholding equal to 200% of his gross annual fixed compensation;
- 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, when implementing this performance share plan expected in 2019, 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 2019 fixed compensation.

Directors' fees

Since 2012, Mr. Antoine Frérot has decided to waive Directors' fees paid by the Company and Group-controlled companies. Accordingly, at its meeting of March 5, 2019, the Veolia Environnement Board of Directors took note of the renewal of Mr. Antoine Frérot's decision to waive his Directors' fees for 2019.

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 Directors' fees in 2018

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 amount of Directors' fees at €1,200,000. This request to increase the total amount of Directors' fees 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 fees 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 2018 and at the recommendation of the Compensation Committee, the Board of Directors' meeting of March 8, 2016 took note of the renewal of the decision by the Chairman and Chief Executive Officer to waive his Directors' fees for 2018, and decided to continue allocating Directors' fees in 2018 in the same way as in 2017, with the exception of the above changes, as follows: a fixed portion of 40% and a variable portion of 60% based on attendance rates; this rule being extended since 2014 to Directors' fees allocated to Committee Chairmen and members.

Directors' fees were allocated as follows as of December 31, 2018:

- €40,000 for the office of Director, including (a) a fixed amount of €16,000, divided into four quarterly payments of €4,000 per quarter, and (b) a potential variable amount of €24,000 maximum, divided into four quarterly payments of €6,000 and adjusted based on the number of meetings held during each quarter of the relevant fiscal year and the number of meetings that the Director attends;
- an additional amount of €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;
- 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 €8,400 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 €16,800 subject to the attendance rate for the Chairman of the Nominations Committee;

(1) *Non-executive corporate officers.*

- an additional amount of €16,800 subject to the attendance rate for the Chairman of the Compensation Committee;
- an additional amount of €16,800 subject to the attendance rate for the Chairman of the Research, Innovation and Sustainable Development Committee; and
- €20,000 for the office of non-voting member (*i.e.*, 50% of the amount payable for the office of Director), half of which payable in proportion to the attendance rate of the non-voting member (*censeur*) at meetings.

Table of Directors' fees in 2018-2017 (AFEP-MEDEF Code Table 3)

The table below shows the amount of Directors' fees paid in 2018 and 2017 to members of the Board of Directors of Veolia Environnement by the Company and by controlled companies. Moreover, since 2012, Mr. Antoine Frérot has decided to waive Directors' fees paid by the Company and Group-controlled companies.

	2018		2017	
(in euros)	Amounts(1) paid during the fiscal year		Amounts(1) paid during the fiscal year	
Director	By the Company	By controlled companies	By the Company	By controlled companies
Homaira Akbari	64,920	0	55,378.5	0
Jacques Aschenbroich	68,240	0	62,340	0
Maryse Aulagnon	104,520	0	44,995.4	0
Daniel Bouton(2)	43,651	0	114,000	0
Caisse des dépôts et consignations	37,000	0	34,200	0
Isabelle Courville	69,708	0	46,155.4	0
Antoine Frérot(3)	0	0	0	0
Clara Gaymard	52,800	0	47,538.5	0
Marion Guillou	55,800	0	52,200	0
Pavel Páša(4)	48,400	0	46,800	0
Baudouin Prot	37,000	0	38,040	0
Qatari Diar Real Estate Investment Company(5)	9,000	0	22,800	0
Nathalie Rachou	97,454	0	41,610	0
Paolo Scaroni	48,400	0	46,800	0
Louis Schweitzer	122,880	0	172,000	0
Guillaume Texier	45,880	0	40,878.5	0
Pierre Victoria(4)	63,100	0	51,600	0
Paul-Louis Girardot(6), non-voting member *(censeur)*	22,859	7,650	36,000	12,875
Serge Michel, non-voting member *(censeur)*	36,800	4,581.6	36,000	2,990
TOTAL	1,028,412	12,231.6	989,336.1	15,865

(1) Amounts before withholding tax deducted at source.
(2) Daniel Bouton's term of office expired on April 19, 2018.
(3) Mr. Antoine Frérot's full compensation is presented in Section 7.4.1.1 above. At its meetings of March 7, 2017 and March 6, 2018, the Board of Directors took note of the renewal of Mr. Antoine Frérot's decision to waive his Directors' fees for 2017 and 2018.
(4) 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 his Directors' fees to his trade union and Mr. Pavel Páša's intention to transfer his Directors' fees to an organization representing or assisting employees.
(5) The term of office of Qatari Diar Real Estate Investment Company expired on March 15, 2018.
(6) Paul-Louis Girardot's term of office expired on April 19, 2018.

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Amount and allocation of Directors' fees in 2019

At its meeting of March 5, 2018 and in accordance with the recommendations issued by the Compensation Committee, the Board of Directors decided:

- not to ask the General Shareholders' Meeting of April 18, 2019 to increase the total amount of Directors' fees;
- to increase to €42,000 the amount of Directors' fees 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 Directors' fees paid to non-voting members (*censeurs*). The current allocation rule for the fixed/variable portions of Director's fees based on attendance rates in accordance with the recommendations of the AFEP-MEDEF Code remains unchanged (40% fixed and 60% variable);
- to extend the additional amount payable to Directors and, where applicable, non-voting members (*censeurs*) residing on another continent of €3,000 per trip to the Board strategic seminar.

In addition, the Board of Directors took note of the renewal of Mr. Antoine Frérot's decision to waive his Directors' fees for 2019.

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, 2018 (see Section 7.3.3 above), (excluding the Chairman and Chief Executive Officer) received total gross compensation of €7,096,293 in 2018 (for an Executive Committee comprising ten members excluding the Chairman and Chief Executive Officer), compared with €8,354,873 in 2017 (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, 2017 and 2018, 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 2018 average variable compensation of Executive Committee members represents approximately 81% of their fixed compensation.

	Fiscal year 2017 (10 members)	
(in euros)	Amounts payable for the fiscal year	Amounts paid during the fiscal year
Fixed compensation	3,850,000	3,850,039
Annual variable compensation	5,117,586	4,492,723
Directors' fees		
• Paid by Veolia Environnement	-	-
• Paid by controlled companies	-	-
Benefits in kind(1)	12,111	12,111
TOTAL	**8,979,697**	**8,354,873**

(1) These figures do not include any housing allowances or expatriation compensation paid.

	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.

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 €1.5 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 10% 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);

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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 (€317,856 in 2018);
5. vesting features: the maximum annual increase in potential pension entitlements was estimated at 0.4%;
6. existence of a ceiling and the amount and method of setting the ceiling: the pension amount was determined based on the number of years' service in the Group and capped at 10% of the reference compensation for beneficiaries with more than 30 years' service (*i.e.* €31,786 in 2018);
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 2018, 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 €32,000, 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 (€119,196 in 2018). 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 2018, 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 €32,000;
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 severance payment due in the event of termination of Mr. Antoine Frérot's term of office will be presented to the Combined General Meeting of April 19, 2018 and represents a regulated commitment governed by Article L. 225-42-1 of the French Commercial Code in favor of the Chairman and Chief Executive Officer.

7.4.3 LONG-TERM PROFIT-SHARING 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

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).

The Board will therefore seek authorization from the Combined General Meeting of April 18, 2019, for a period of 18 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 2019 with an expiry date in 2022 following the publication of the 2021 financial statements, would replace the plan granted in 2018.

This plan would be subject to the following limits:

- a **global limit of 0.4%** of the share capital, assessed at the date of General Shareholders' Meeting of April 18, 2019, 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 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; 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 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 18, 2019 of the 15th resolution), 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, when implementing this performance share plan expected in 2019, 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 2019 fixed compensation.**

7.4.3.2 Performance shares

Overview of performance share grants as of December 31, 2018 (AFEP-MEDEF Code Table 9)

	Performance shares
	Plan no. 1
Meeting date	04/19/2018
Date of the General Shareholders' Meeting	05/02/2018
Number of shares granted	1,731,368
• of which total number of options granted to the Chairman and Chief Executive Officer Mr. Antoine Frérot	49,296
Share vesting date	05/03/2021
End of lock-up period	05/03/2021
Performance conditions	see Section 7.4.3.1 above
Number of shares vested as of 12/31/2018	0
Total number of shares canceled or expired	61,395
Performance shares at the year end	1,669,973

7.4.3.2.1 Performance shares granted during fiscal year 2018 (Plan no. 1) 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. 1 2018	49,296	€746,341	05/03/2021	05/03/2021	*see Section* 7.4.3.1 *above*

* *Value of performance shares as of May 2, 2018 based on the fair value of the share pursuant to IFRS 2 of €15.14.*

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 2018 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	91,782	€1,389,579	Plan no. 1
Shares vested during fiscal year 2018 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 May 2, 2018 based on the fair value of the share pursuant to IFRS 2 of €15.14.*
** *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, 2018 (AFEP-MEDEF Code Table 8)

A share subscription option plan (Plan no. 8) was set up on September 28, 2010, pursuant to a decision by the Board of Directors. This plan expired on September 28, 2018. On expiry, no shares had been subscribed by Group executives or employees under this plan.

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 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 2018

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 2018 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 2018 by the ten employees of Veolia Environnement and the aforementioned companies, having exercised the greatest number of options*	None	-	-

* *Excluding options exercised by employees who have left the Group.*
** *Strike price after legal adjustments.*

7.4.3.4 Management Incentive Plan (MIP)

In October 2014, the Group set up a long-term incentive mechanism, known as the "Management Incentive Plan" (MIP), for the Group's top 300 executives (including the Chairman and Chief Executive Officer and the members of the Executive Committee).

This plan was based on a joint investment approach with a personal investment by the beneficiary in the Company's shares, accompanied by the grant, subject to performance conditions, of an "additional" share bonus financed by the Group (primarily through the grant of treasury shares held by the Company).

The initial investment made by the beneficiary resulted in a guarantee limited to 80% of the value of his/her investment (excluding any income or other taxes payable by the beneficiary), except for the Chairman and Chief Executive Officer and the members of the Executive Committee, whose investments were not guaranteed. The maximum amount of the investment was equal to three times the reference gross monthly salary determined by the Group, and could not be less than €5,000.

The share bonus, granted in three tranches, was linked to the attainment of the following criteria: an increase in the price of the share over the acquisition price at the time of the initial investment in October 2014, and in the net recurring income attributable to the Group per share. These criteria were assessed at three dates

(March 2016, March 2017 and March 2018) corresponding to the publication of the Company's annual financial statements for 2015, 2016 and 2017. The gains were calculated at each of these dates, but definitively vested at the expiry of the plan in April 2018, subject on that date to (i) confirmation that the beneficiaries in question satisfy the requirement of continued employment, and (ii) retention by the beneficiaries of the initial share investment.

It is recalled that the MIP was approved by the Board of Directors' Meeting of August 2, 2014. In this context and with respect to fiscal year 2013 results, the allocation in full of the share bonus was subject, pursuant to the MIP rules, to the attainment of a "target" level of Adjusted net income (replaced by current net income) per share for each of the three fiscal years, 2015, 2016 and 2017.

These "target" performance conditions was significantly exceeded (see table below). Compared with fiscal year 2013, the increase in current net income per share was +171% in 2015, +184% in 2016 and +189% in 2017. MIP beneficiaries are therefore eligible to the allocation in full of the share bonus attaching to the number of shares purchased on the implementation of this mechanism (October 2014).

Fiscal year	"Target" level of current net income per share as defined in the MIP regulations	Actual current net income per share
Fiscal year 2013	-	€0.39 per share
Fiscal year 2014	-	€0.59 per share
Fiscal year 2015	€0.70 per share	€1.06 per share
Fiscal year 2016	€0.75 per share	€1.11 per share
Fiscal year 2017	€0.80 per share	€1.13 per share

The performance condition relating to the share bonus vesting in respect of fiscal year 2017 was attained in full and noted by the Compensation Committee on February 28, 2018 and the Board of Directors on March 6, 2018, based on the accounts adopted by the Board of Directors on February 21, 2018.

A share bonus of 40,338 shares (representing approximately 90% of his annual fixed compensation) was vested to Mr. Antoine Frérot in respect of 2017. These shares were delivered on expiry of the plan on May 4, 2018. The share bonuses allocated to Mr. Antoine Frérot for fiscal years 2015 and 2016 are detailed in Section 7.4 "Compensation and benefits" of the 2017 Registration Document of the Company. At Mr. Antoine Frérot's proposal to the Compensation Committee, the Board of Directors' Meeting of March 6, 2018 took due note of his decision to hold until the termination of his term of office, 40% of the total share bonus granted under this plan, net of applicable social security contributions and taxes, until he has reached a total shareholding equal to 200% of his gross fixed compensation.

This plan expired on April 5, 2018.

Pursuant to Article L. 621-18-2 of the French Monetary and Financial Code, the shares purchased by the members of the Executive Committee (including the Chairman and Chief Executive Officer) were reported to the French Financial Markets Authority (AMF).

7.4.4 COMPONENTS OF COMPENSATION SUBJECT TO SHAREHOLDER VOTE IN ACCORDANCE WITH ARTICLE L. 225-37-2 AND ARTICLE L. 225-100 OF THE FRENCH COMMERCIAL CODE

7.4.4.1 Approval of the fixed and variable components of total compensation and benefits of all kind paid or awarded to Mr. Antoine Frérot by virtue of his duties as Chairman and Chief Executive Officer, in respect of fiscal year 2018 ("*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 the fixed and variable components of total compensation and benefits of all kind paid or awarded to Mr. Antoine Frérot by virtue of his duties of Chairman and Chief Executive Officer, in respect of fiscal year 2018. Note that all these components are presented in Chapter 7, Section 7.4 of the 2018 Registration Document and summarized in the table below.

Compensation components	Amount	Comment
Fixed compensation	€950,000	At the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 8, 2016 decided to set the frequency of review of fixed compensation at every three years with effect from January 1, 2016, in the absence of any major events. Accordingly, and at the recommendation of the Compensation Committee, the 2018 gross fixed compensation remained unchanged.
Variable compensation	€1,246,914	The Board of Directors' Meeting of March 5, 2019, 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 2018 fiscal year at €1,246,914. The Board of Directors' Meeting of March 6, 2018, 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; • 2018 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, or €1,520,000. **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 2018 fiscal year was determined as follows:** **i) with respect to the quantifiable criteria:** the criteria for the quantifiable portion of the variable compensation were unchanged compared to 2017 and are granted as follows. The quantifiable portion is equal to the total of the components resulting from the application of each of these criteria separately: • 20% based on Group current EBIT **(107.6%),** • 20% based on net free cash flow before financial investments, financial divestments and dividends **(160%),** • 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, **(111%),** • 30% based on Group ROCE after tax **(134.2%).** The quantifiable variable portion equals **€845,064** reflecting an overall payout ratio of **127.1%;** **ii) with respect to the qualitative criteria:** the Board of Directors' Meeting of March 5, 2019 decided to grant **€401,850** to Mr. Antoine **Frérot** in respect of the qualitative variable portion of his 2018 compensation, representing 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 (rate of workplace accidents with sick leave), environmental performance, management performance and strategic aspects. **Mr. Antoine Frérot's variable compensation (quantifiable and qualitative components) for the 2018 fiscal year therefore amounts to €1,246,914, equal to 131% of his Base target bonus for the 2018 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 2018.

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Exceptional compensation	N/A	Mr. Antoine Frérot does not receive any exceptional compensation.
Directors' fees	N/A	Mr. Antoine Frérot has waived his right to receive Directors' fees 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 700 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 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). These performance shares will vest subject to the following conditions: • a **presence condition** until the end of the 3-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 ("Comex"), obligation to retain, until the end of their duties within the Comex, 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.
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 Directors' fees and benefits in kind), including the sum of the fixed portion of his compensation for the previous fiscal year ("Fixed Portion") and the average of the variable 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).

Supplementary pension plan	No payment	After a favorable opinion of the Works Council and the Nominations and Compensation Committees, the Board of Directors, decided, at its meeting of March 11, 2014, upon a motion by the Chairman and Chief Executive Officer: • to close the supplementary defined 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. **Should the Chairman and Chief Executive Officer retire at the age of 62 and based on total annual compensation ranging between €1.5 million and €2.3 million, his potential annuity under all pension plans (including the basic Social Security scheme, additional plans and the supplementary Group pension plan) could amount to a theoretical payment of around 7 to 10% 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: **Approval of the fixed, variable and exceptional components of total compensation and benefits of all kind paid or awarded to Mr. Antoine Frérot by virtue of his duties as Chairman and Chief Executive Officer, in respect of fiscal year 2018**

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Meetings and having considered the Board of Directors' report and the report on Corporate Governance included in the Board of Directors' management report, approves, pursuant to Article L. 225-100, II of the French Commercial Code, the fixed, variable and exceptional components of total compensation and benefits of all kinds paid or awarded for the year ended December 31, 2018 to Mr. Antoine Frérot, Chairman and Chief Executive Officer, as set forth in Chapter 7, Section 7.4 of the 2018 Registration Document.

7.4.4.2 Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of total compensation and benefits of all kinds that may be awarded to the Chairman and Chief Executive Officer in respect of fiscal year 2019 ("*Ex ante* vote")

(Resolution 11)

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, shareholders are asked in the 11th resolution to approve the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of total compensation and benefits of all kind that may be awarded to the Chairman and Chief Executive Officer in respect of fiscal year 2019. Note that all these components are presented in Chapter 7, Section 7.4 of the Company's 2018 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 2018, 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 15th 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 the 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.

2019 compensation policy	Amount	Comment
2019 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 is set at €980,000, as of January 1, 2019. This triennial increase of around 3% aims to bringing this fixed compensation closer to the median fixed compensation of CAC 40 Chief Executive Officers and being in line with the increase in the average fixed compensation of Group managers over the past 3 years.
2019 variable compensation		The Board of Directors' Meeting of March 5, 2019, at the recommendation of the Compensation Committee, decided to update the method of calculating the variable compensation of the Chairman and the Chief Executive Officer as follows: • respective weight of the quantifiable portion (70%) and of the qualitative portion (30%) 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. **(i) with respect to the quantifiable criteria:** in accordance with the medium-term outlook published on February 21, 2019, the criteria for the quantifiable portion of variable compensation are 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, • 20% based on net free cash flow before financial investments, financial divestments and dividends, • 30% based on the growth of the organic Group revenue (at constant exchange rates and excluding acquisitions and divestitures of more than €100 million but including acquisitions of privatized public services), • 30% based on Group ROCE (after tax). The quantifiable variable compensation portion will be determined based on the attainment of the 2019 budget objectives which are consistent with the outlook announced to the market on February 21, 2019; **(ii) with respect to the qualitative criteria:** the qualitative portion (30% of the target bonus) is determined based on an overall assessment of the following criteria, unchanged on 2018: • health and safety at work (rate of workplace accidents with sick leave); • environmental performance (seven criteria, as indicated in Chapter 7, Section 7.4 of the 2018 Registration Document); • managerial performance; • strategic aspects. The 2019 qualitative portion of variable compensation will be assessed, as a whole, by the Board of Directors based on recommendations issued by the Compensation Committee.

2019 compensation policy	Amount	Comment

Planned grant of performance shares to a group of around 450 Group executives 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 15th resolution presented to the General Shareholders' Meeting of April 18, 2019, to approve an authorization, for a period of 18 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 2019 with an expiry date in 2022 following the publication of the 2021 financial statements, would replace the plan granted in 2018.
		
		This plan would be subject to the following limits:
		• a **global limit** of 0.4% of the share capital, assessed at the date of this General Shareholders' Meeting, **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 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; 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:
		• **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%;
		• **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);

2019 compensation policy	Amount	Comment
Planned grant of performance shares to a group of around 450 Group executives and key contributors, including the Chairman and Chief Executive Officer		• 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 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). At the recommendation of the Compensation Committee, the Board of Directors' Meeting of March 5, 2019 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 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 Comex, 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 2019, 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 2019 fixed compensation.**

Eleventh resolution: **Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of total compensation and benefits of all kinds that may be awarded to the Chairman and Chief Executive Officer in respect of fiscal year 2019**

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 report on Corporate Governance included in the Board of Directors' management report, pursuant to Article L. 225-37-2 of the French Commercial Code, approves the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of total compensation and benefits of all kind that may be awarded to the Chairman and Chief Executive Officer in respect of fiscal year 2019, as set forth in Chapter 7, Section 7.4 of the 2018 Registration Document.

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 6.5.2.3.5 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 6.5.1 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, 2018, members of the Board of Directors, including the non-voting member (*censeur*), held a total of 26,124,537 Veolia Environnement shares, representing 4.6% of the Company's share capital as of that date.

The table below details transactions in Veolia Environnement securities during fiscal year 2018 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 2018:

Director	Financial instrument	Type of transaction	Transaction date	Unit price *(in euros)*	Volume of securities	Total transaction amount *(in euros)*
Antoine Frérot, *Chairman and Chief Executive Officer*	Shares	Acquisition(1)	05/04/2018	0	108,207	
	Shares	Sale	05/04/2018	20.3422	87,746	1,784,946.70
	Shares	Sale	05/04/2018	20.3422	17,570	357,412.45
Louis Schweitzer, *Vice-Chairman*	Shares	Acquisition	03/27/2018	18.9183	10,000	189,183
Maryse Aulagnon, *Senior Independent Director*	Shares	Acquisition	04/13/2018	19.0454	2,000	38,090.80

(1) Acquisition by and delivery to Mr. Antoine Frérot on May 4, 2018 of a share bonus representing 108,207 shares as part of a long-term incentive plan known as the "Management Incentive Plan".

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7.5.2 TRANSACTIONS IN VEOLIA ENVIRONNEMENT SECURITIES BY EXECUTIVES

The following table breaks down the transactions in Veolia Environnement securities carried out in fiscal year 2018 by Executive Committee members (see Section 7.3 above) or any person with close personal links to them. To the best of the Company's knowledge, no other 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 2018.

Director	Financial instrument	Type of transaction	Transaction date	Unit price *(in euros)*	Volume of securities	Total transaction amount *(in euros)*
Laurent Auguste	Shares	Acquisition(1)	04/05/2018	-	16,907	-
	Shares	Sale	04/05/2018	19.1992	4,497	86,338.80
	Shares	Sale	05/28/2018	19.9379	12,410	247,429.34
	Shares	Sale	05/28/2018	19.9373	3,813	76,020.92
Estelle Brachlianoff	Shares	Acquisition(2)	04/05/2018	-	23,110	-
	Shares	Sale	04/05/2018	19.1992	11,405	218,966.88
	Shares	Sale	06/11/2018	19.1281	5,212	99,695.66
	Shares	Sale	06/11/2018	19.1281	11,705	223,894.41
Régis Calmels	Shares	Acquisition(3)	04/05/2018	-	32,968	-
Philippe Guitard	Shares	Acquisition(4)	04/05/2018	-	31,105	-
	Shares	Sale	04/05/2018	19.1992	9,096	174,635.92
Eric Haza	Shares	Acquisition(5)	04/05/2018	-	6,762	-
	Shares	Sale	04/05/2018	19.1992	1,397	26,821.28
	Shares	Sale	04/11/2018	19.2500	6,890	132,632.50
Patrick Labat	Shares	Acquisition(6)	04/05/2018	-	16,228	-
	Shares	Sale	04/05/2018	19.1992	2,228	42,775.81
	Shares	Sale	06/14/2018	19.4500	7,700	149,765
	Shares	Sale	11/21/2018	18.5030	6,300	116,568.90
Jean-Marie Lambert	Shares	Acquisition(7)	04/05/2018	-	23,669	-
	Shares	Sale	04/05/2018	19.1992	4,210	80,828.63
	Shares	Sale	04/09/2018	19.3971	19,459	377,448.17
Claude Laruelle	Shares	Acquisition(8)	04/05/2018	-	21,301	-
	Shares	Sale	04/05/2018	19.1992	3,839	73,705.73
	Shares	Sale	04/10/2018	19.3321	22,266	430,448.54
Helman le Pas de Sécheval	Shares	Acquisition(9)	04/05/2018	-	40,417	-

(1) Acquisition by Mr. Laurent Auguste of a share bonus representing 16,907 shares as part of a long-term incentive plan known as the "Management Incentive Plan" that expired on April 5, 2018.
(2) Acquisition by Mrs. Estelle Brachlianoff of a share bonus representing 23,110 shares as part of a long-term incentive plan known as the "Management Incentive Plan" that expired on April 5, 2018.
(3) Acquisition by Mr. Régis Calmels of a share bonus representing 32,968 shares as part of a long-term incentive plan known as the "Management Incentive Plan" that expired on April 5, 2018.
(4) Acquisition by Mr. Philippe Guitard of a share bonus representing 31,105 shares as part of a long-term incentive plan known as the "Management Incentive Plan" that expired on April 5, 2018.
(5) Acquisition by Mr. Eric Haza of a share bonus representing 6,762 shares as part of a long-term incentive plan known as the "Management Incentive Plan" that expired on April 5, 2018.
(6) Acquisition by Mr. Patrick Labat of a share bonus representing 16,228 shares as part of a long-term incentive plan known as the "Management Incentive Plan" that expired on April 5, 2018.
(7) Acquisition by Mr. Jean-Marie Lambert of a share bonus representing 23,669 shares as part of a long-term incentive plan known as the "Management Incentive Plan" that expired on April 5, 2018.
(8) Acquisition by Mr. Jean-Marie Lambert of a share bonus representing 21,301 shares as part of a long-term incentive plan known as the "Management Incentive Plan" that expired on April 5, 2018.
(9) Acquisition by Mr. Helman le Pas de Sécheval of a share bonus representing 40,417 shares as part of a long-term incentive plan known as the "Management Incentive Plan" that expired on April 5, 2018.

7.6 Statutory Auditors' report on regulated agreements and commitments

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 with, 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 PREVIOUSLY APPROVED BY GENERAL SHAREHOLDERS' MEETINGS

2.1 Agreements and commitments approved in prior fiscal years and having continuing effect during the year

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.

2.1.1 Agreement on the Group's withdrawal from Transdev

Board of Directors' meeting of July 29, 2016

Persons concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer, and a director of Transdev Group, an entity owned 30/70 by Veolia Environnement and Caisse des dépôts et consignations as of December 31, 2018;
- Caisse des dépôts et consignations, legal entity Director with a 4.60% shareholding in Veolia Environnement, represented by Mr. Olivier Mareuse as of December 31, 2018.

During its meeting of July 29, 2016, the Board of Directors authorized the signature by Veolia Environnement (VE) and Caisse des dépôts et consignations (CDC) of an agreement and its appendices, comprising a share sale agreement, a shareholders' agreement and a settlement protocol regarding the complete withdrawal of VE from the Transport business of Transdev Group and its subsidiaries. Pursuant to these contracts signed on December 21, 2016 and at this date of effect (the "Date of Effect"), VE (i) sold to CDC 20% of the Transdev Group share capital, thereby reducing its stake to 30% following this transaction and (2) acquired for a symbolic amount, all shares held by Transdev Group in SNCM, in the course of liquidation.

Under the terms of these contracts, the following agreements continued in effect during fiscal year 2018:

- the agreement on the sale of VE's residual 30% investment to be completed within a maximum of two years from the Date of Effect, through cross put and call options, with VE undertaking to seek out a third-party buyer during this period;
- the continuation of the warranty covering three SNCM appeals (State assistance, cancellation of the Public Service Delegation arrangement, abuse of a dominant position with CMN) granted to CDC under the May 4, 2010 agreements. VE granted a compensation commitment valid until December 31, 2019, covering CDC against any loss suffered directly or indirectly through Transdev, relating to SNCM;
- the shareholders' agreement amended at the Date of Effect between VE and CDC, in the presence of Transdev Group setting out (i) governance principles adapted to the new share capital allocation and (ii) the conditions for transferring Transdev Group shares;
- As of December 31, 2018, the guarantee agreements between VE, CDC and Transdev Group and the counter-guarantee protocol between VE and CDC resulting from the merger agreement of May 4, 2010 (as amended on March 3, 2011) and not expired or lapsed at that date, continue in effect in accordance with their terms and conditions (including those relating to SNCM referred to above).

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. These agreements therefore terminated on the same day, with the exception of the specific compensation warranty covering three SNCM appeals granted to CDC, which is extended to include Rethmann in the amount of the respective stake of these two shareholders in Transdev Group.

2.1.2 Agreements concerning the remuneration of guarantees issued by your Company on behalf of its subsidiaries

Board of Directors' Meeting of May 17, 2011

Agreement signed between your Company and its subsidiary Veolia Eau-Compagnie Générale des Eaux (99.99% shareholding),

Person concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer – Managing Director of Veolia Eau-Compagnie Générale des Eaux.

The parties agreed on the need to ensure 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.

On this basis and for fiscal year 2018, your Company recorded income of €1,147,622 in respect of commitments issued on behalf of Veolia Eau-Compagnie Générale des Eaux subsidiaries.

2.1.3 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 4.60% 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 €16,925,536 in respect of fiscal year 2018.

2.1.4 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 – 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 €8,799,000 from Veolia Eau-Compagnie Générale des Eaux for fiscal year 2018.

2.2 Agreements and commitments authorized during the fiscal year

We would remind you that the following agreements and commitments authorized since the year end were disclosed in our special report dated March 13, 2018 presented to your Shareholders' Meeting of April 19, 2018. These agreements and commitments were approved by this Shareholders' Meeting.

2.2.1 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 €189,131.94 for fiscal year 2018.

2.2.2 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 €14,374.63 for fiscal year 2018.

The Statutory Auditors

Paris-La Défense, March 12, 2019

KPMG Audit		ERNST & YOUNG et Autres	
A Division of KPMG S.A.			
Valérie Besson	Baudouin Griton	Jean-Yves Jégourel	Xavier Senent

8

ADDITIONAL INFORMATION

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

8.1 Main provisions pursuant to the law and the Articles of Association concerning Veolia Environnement AFR

8.1.1 CORPORATE NAME, REGISTERED OFFICE AND ADMINISTRATIVE HEADQUARTERS

The name of the Company has been Veolia Environnement since April 30, 2003. Its abbreviated corporate name is VE.

The Company's registered office is located at 21, rue La Boétie, 75008 Paris, France.

The Company's administrative headquarters is located at 30, rue Madeleine Vionnet, 93300 Aubervilliers. The telephone number is +33 (0)1 85 57 70 00.

8.1.2 LEGAL FORM AND APPLICABLE LAW

Veolia Environnement is a French *société anonyme à conseil d'administration* (public limited company with a Board of Directors) governed by French law and particularly the provisions of Book II of the French Commercial Code.

8.1.3 DATE OF INCORPORATION AND TERM

The Company was incorporated on November 24, 1995, for a term of 99 years beginning on the date of its registration in the Trade and Companies Register, *i.e.* for a term lasting until December 18, 2094.

8.1.4 TRADE AND COMPANIES REGISTRY 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 969500LENY69X51OOT31.

8.1.5 CORPORATE PURPOSE

Pursuant to Article 3 of the Company's Articles of Association, Veolia Environnement's corporate purpose, directly and indirectly, in France and in all other countries, involves:

- conducting all service activities, for private, professional and public customers, that are related to the environment, in particular, water, wastewater, energy, transportation and waste management;
- the acquisition, use and exploitation of all patents, licenses, trademarks and models that are directly or indirectly related to corporate activities;
- the acquisition of all equity investments, in the form of subscriptions, purchases, contributions, exchanges or by any other means, and the acquisition of shares, bonds and all other securities in existing or future enterprises, groupings or companies, and the option of disposing of such interests;
- in general, all commercial, industrial, financial or non-trading transactions, whether in personal or real property, that are directly or indirectly related to the aforementioned corporate purpose, and, in particular, the issue of all guarantees, first-demand guarantees, sureties and other security interests, in particular for the benefit of all groupings, enterprises or companies in which the Company holds an equity investment within the scope of its business activities, as well as the financing or refinancing of its business activities.

8.1.6 FISCAL YEAR

The Company's fiscal year starts on January 1 and ends on December 31 of each calendar year.

8.1.7 APPROPRIATION OF NET INCOME UNDER THE ARTICLES OF ASSOCIATION

Each share grants entitlement to an amount of the profit in proportion to the percentage of the capital that such share represents.

The distributable earnings are made up of the net income for the fiscal year, minus any accumulated losses and the various deductions provided for by law, plus any retained earnings.

The General Shareholders' Meeting may decide to distribute amounts drawn from the reserves of which it may freely dispose, by expressly stating the reserve items from which the amounts are drawn.

After approving the financial statements and recording the existence of amounts that are eligible for distribution (including the distributable earnings and, if any, the amounts drawn from reserves referred to above), the General Shareholders' Meeting may decide to distribute all or part of such amounts to the shareholders as dividends, to allocate them to reserve items, or to carry them forward.

The General Shareholders' Meeting has the option of granting the shareholders, for all or part of the dividends paid out or interim dividends, an option of payment in cash or payment in shares under the conditions laid down by the law. Furthermore, the General Shareholders' Meeting may decide, for all or part of the dividend, interim dividends, distributed reserves or premiums, or for any capital reduction, that such distribution or such capital reduction will be carried out in kind by delivery of Company assets.

The Board of Directors has the option of distributing interim dividends prior to the approval of the annual financial statements pursuant to the terms and conditions provided for by law.

8.1.8 GENERAL SHAREHOLDERS' MEETINGS

8.1.8.1 Notice of meetings

General Shareholders' Meetings are convened and deliberate under the terms and conditions provided for by law. Meetings are held at the Company's registered office or at any other location stated in the notice.

Shareholders' decisions are made at ordinary, extraordinary, special or combined meetings, depending on the nature of the decisions that shareholders are called upon to make.

8.1.8.2 Participation in and attendance at Meetings

Conditions

All shareholders, regardless of the number of shares they hold, are entitled to attend meetings in accordance with the laws and regulations in force, either by attending them in person, by being represented at them, by voting pursuant to the ballot-by-mail process, (also known as "by mail"), or by giving a proxy to the Chairman of the meeting.

In accordance with Article R. 225-85 of the French Commercial Code, the only shareholders permitted to attend meetings are those who can provide proof of their legal status through the recording of the securities in their name, or in the name of the intermediary registered as acting on their behalf, no later than the second business day prior to the meeting at midnight, Paris time (hereafter, D-2), either in the registered securities accounts, or in bearer securities accounts held by their authorized intermediary.

For registered shareholders, this accounting recognition in the registered securities accounts on D-2 is sufficient for them to be able to attend.

For holders of bearer shares, it is the responsibility of the authorized intermediaries that hold the bearer securities accounts to provide proof of 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.

Since the General Shareholders' Meeting of April 21, 2016, shareholders can access a dedicated voting website prior to meetings (Votaccess). This site allows each shareholder to access meeting documents, submit voting instructions electronically or request an admission card.

Remote and proxy votes can only be taken into account if the forms, duly completed and signed (and accompanied by the certificate of shareholding for bearer shares) are received by the clearing institution no later than the third business day prior to the meeting.

In accordance with the provisions of Article R. 225-79 of the French Commercial Code, notification of the appointment and dismissal of a proxy holder may also be made by electronic means.

Only notifications of appointment to or dismissal from positions duly signed, completed and received no later than two days before the date of the meeting may be taken into account.

In accordance with the provisions of Article R. 225-85 of the French Commercial Code, any shareholder who has already voted by mail, or sent a proxy or an admission card request is no longer able to choose another method of participation in the meeting, but may, nonetheless, sell all or some of their shares. However, if the sale takes place before D-2, the Company will cancel or amend accordingly, as appropriate, the remote vote cast, the proxy, the admission card or the certificate of shareholding. To this end, the authorized intermediary holding the account notifies the Company or its proxy holder of the sale and provides it with the necessary information. No sale or any other transaction made after D-2, regardless of the method used, is notified by the authorized intermediary holding the account or taken into consideration by the Company, notwithstanding any agreement to the contrary. It is noted that if a shareholder does not name a proxy holder in a proxy form, the Chairman of the General Shareholders' Meeting shall register a vote in favor of adopting draft resolutions submitted or approved by the Board of Directors, and shall register a vote against the adoption of all other draft resolutions. In order to issue any other vote, the shareholder must choose a proxy holder who agrees to vote as directed by the shareholder.

Under the terms of Article 22, paragraph 4 of the Company's Articles of Association, the Board of Directors may decide that shareholders may attend the General Shareholders' Meeting *via* videoconference or by telecommunication or electronic means, including *via* the Internet, under the conditions provided for by the applicable regulations at the time of use. In this case, the shareholders concerned will be deemed to be present for the purposes of calculating quorum and majority at the Meeting in question. This option has not yet been used by the Company as of the date of the filing of this Registration Document.

8.1.8.3 Main powers and quorum required for General Shareholders' Meetings

Ordinary General Meetings

The Ordinary General Meeting is called to make all decisions which do not make amendments to the Articles of Association. It is held at least once a year, within six months of the end of each fiscal year, in order to approve the accounts for that fiscal year. It may only proceed, when it is convened for the first time, if the shareholders present, represented or having voted remotely hold at least one-fifth of the shares with voting rights. When it is convened for the second time, no quorum is required. The resolutions of the Ordinary General Meeting are passed by a simple majority of the votes of the shareholders present, represented or having voted remotely.

Extraordinary General Meetings

The Extraordinary General Meeting is the only meeting authorized to make amendments to the provisions of the Articles of Association. It may not, however, increase the commitments of shareholders, with the exception of reverse stock splits, duly and properly carried out. It may only proceed, when it is convened for the first time, if the shareholders present, represented or having voted remotely hold at least one-quarter, and, when it is convened for the second time, one-fifth of the shares with voting rights. The decisions of the Extraordinary General Meeting are made by a majority of two-thirds of the votes of the shareholders present, represented or having voted remotely.

8.1.8.4 Shareholders' rights

Inclusion of points or draft resolutions on the agenda

Requests for the inclusion of points or draft resolutions on the agenda must reach 30, rue Madeleine Vionnet, 93300 Aubervilliers (Veolia Environnement, Office of the General Counsel) by registered letter with acknowledgment of receipt or by e-mail to AGveoliaenvironnement.ve@veolia.com, no later than twenty-five days prior to the date of the meeting, and may not be sent more than twenty days after publication of the notice of the meeting in the *Bulletin des annonces légales et obligatoires* (BALO)(French Legal Gazette of Mandatory Legal Announcements).

The request for the inclusion of a point on the agenda must be justified. The request for the inclusion of draft resolutions must be accompanied by the text of the draft resolutions, which may include a brief explanatory statement. Such requests from shareholders must include a certificate providing proof of their legal status as shareholders, either in the registered securities accounts or in the bearer securities accounts held by a financial intermediary, as well as the percentage of share capital required by the regulations. Review of the point or draft resolution filed in line with the regulations is subject to the submission, by the authors of the request, of a new certificate evidencing the recording of the securities in the same accounts on D-2.

Written questions

In accordance with the provisions of Article R. 225-84 of the French Commercial Code, any shareholder wishing to ask written questions must address them to the Chairman of the Board of Directors, 30, rue Madeleine Vionnet, 93300 Aubervilliers (Veolia Environnement, Office of the General Counsel) by registered letter with acknowledgment of receipt, no later than four business days prior to the meeting. In order for these questions to be taken into consideration, it is imperative that they are accompanied by a share registration certificate. It is understood that the answers to written questions may be published directly on the Company's website (http://www.veolia.com/en/veolia-group/finance-area) in the "General Shareholders' Meetings" Section.

Consultation of the documents made available

Documents and information relating to General Shareholders' Meetings are made available to shareholders in accordance with prevailing laws and regulations and, in particular, the information referred to in Article R. 225-73-1 of the French Commercial Code is published on the Company's website: http://www.veolia.com/en/veolia-group/finance-area, in the "General Shareholders' Meetings" Section, no later than twenty-one days prior to the meeting.

8.1.9 DOUBLE VOTING RIGHTS

The voting rights attached to shares are proportional to the percentage of share capital that such shares represent, and each share carries the right to cast one vote.

However, in accordance with the provisions of Article L. 225-123, paragraph 3 of the French Commercial Code, a double voting right[(1)] is granted to all fully paid-up shares registered in the name of the same shareholder for at least two years, as well as to new registered shares which would be granted without consideration to a shareholder in the event of a share capital increase by capitalization of reserves, profits or additional paid-up capital, in respect of shares enjoying this right.

In accordance with the provisions of Article L. 225-124 of the French Commercial Code, double voting rights cease for all shares converted to bearer form or sold. Nonetheless, transfers as a result of succession, the liquidation of joint property between spouses or an *inter vivos* gift to a spouse or relative entitled to inherit, does not result in the loss of this right or interrupt the two- year vesting period. This also applies in the event of a transfer as a result of a merger or spin-off of a shareholder company.

The voting right attached to shares subject to beneficial ownership is exercised by the income beneficiary at Ordinary General Meetings and by the bare title owner at Extraordinary General Meetings.

8.1.10 IDENTIFICATION OF SHAREHOLDERS

When shares are fully paid up, they may be held in registered or bearer form, at the discretion of the shareholder, subject to provisions of the laws and regulations in force and the Company's Articles of Association. Until the shares are fully paid up, they must be held in registered form.

Company shares are registered in an account under the conditions and in accordance with the terms provided for by the laws and regulations in force. However, where the owner of the shares does not reside in France or French Overseas Territories, within the meaning of Article 102 of the French Civil Code, any intermediary may be registered on behalf of such owner, in accordance with the provisions of Article L. 228-1 of the French Commercial Code.

Furthermore, the Company's Articles of Association provide that the Company may seek to identify all holders of securities that grant an immediate or deferred right to vote at its meetings, in accordance with the procedures set forth in Articles L. 228-2 *et seq.* of the French Commercial Code. Pursuant to these provisions, the Company reviews its share ownership four times per year on average.

Failure by the holders of securities or their intermediaries to comply with the data disclosure obligations set forth in Articles L. 228-2 *et seq.* of the French Commercial Code results, pursuant to the conditions provided for by law, in the temporary loss of voting rights and, under certain circumstances, the suspension of the right to the dividend payments attached to the shares.

(1) The Veolia Environnement Combined General Meeting of April 22, 2015 rejected resolution A (not approved by the Board of Directors) which sought to exclude the automatic acquisition of double voting rights introduced by the Florange law for all shares held in registered form for at least two years.

8.1.11 CROSSING OF SHAREHOLDING THRESHOLDS

In addition to the thresholds provided by the law and the regulations in force, the Company's Articles of Association provide that all individuals or legal entities, acting alone or in concert with others, that enter into possession of or that no longer hold, either directly or indirectly, a fraction of the share capital, voting rights or securities granting future access to 1% or more of the Company's share capital, or any multiple thereof, must inform the Company, by registered letter with acknowledgment of receipt within a period of fifteen days from crossing this threshold, of his/her/its identity and any parties acting in concert with him/her/it, together with the total number of shares, voting rights, or securities granting future access to the share capital owned alone, either directly or indirectly, or in concert.

Failure to comply with the above provisions will be penalized by the loss of voting rights for the shares that exceed the threshold that should have been declared, for all General Shareholders' Meetings that are held until the expiry of a two-year period following the date on which the aforementioned notification is brought into compliance, if the application of this penalty is requested by one or more shareholders who together hold at least 1% of the Company's shares.

8.1.12 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 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 expiring, 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 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 expiring, 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 of 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, 2018 are approximately €19.1M.

NORTH AMERICA

United States - Flint

See Chapter 4, Section 4.1, Note 12 annexed to the consolidated financial statements.

United States – WASCO and Aqua Alliance

Several current and former indirect subsidiaries of Veolia Eau in the United States[1] are defendants in lawsuits in the United States, in which the plaintiffs seek recovery for personal injuries and other damages allegedly due to exposure to asbestos, silica and other 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, 2018, the average annual costs that the Company has incurred with respect to these claims, including amounts paid to plaintiffs, legal fees and expenses, have been $ 616,818 USD 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.

Lithuania

See Chapter 4, Section 4.1, Note 12 annexed to the consolidated financial statements.

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 proceeding against Veolia Propreté and Onyx Alexandria before the Cairo Regional Centre for International Commercial Arbitration ("CRCICA") 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 €9.4 million). Veolia Propreté and Onyx Alexandria strongly contest the merits of all these claims and. On March 10, 2019, Onyx Alexandria in the CRCICA arbitration proceedings filed counterclaims for approximately 900 million Egyptian pounds (which corresponds to an amount of approximately 45 million euros).

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.

Gabon

See chapter 4, section 4.1, note 12 annexed to the consolidated financial statements.

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 €45M. Subject to the fulfillment of conditions precedent, Gabon and the Group shall request the discontinuance of the pending proceedings before the ICSID and shall mutually and definitively release all claims and actions arising from the concession agreement terminated by Gabon.

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. These proceedings are still ongoing.

GLOBAL ENTERPRISES

OTV – World Bank

In 2013, OTV, a wholly-owned French subsidiary of Veolia Water Technologies, formed a consortium with the Brazilian company Odebrecht to respond to a call for tender issued by Corporación Autónoma Regional (CAR) and financed by the World Bank, for the construction of a wastewater treatment plant in El Salitre, Colombia.

In April 2016, the contract was awarded to a competing consortium.

At the end of 2016, the Integrity Vice Presidency of the World Bank (INT) informed OTV that it was conducting a confidential investigation on the El Salitre market.

In July 2018, an agreement in principle was reached between INT and OTV under which, in particular, OTV would be barred from bidding to projects financed by the World Bank for a 24 month period and VWT Brazil would be barred from bidding to projects financed by the World Bank for a 12 month period.

VWT v. K+S Potash

See Chapter 4, Section 4.1, Note 12 annexed to the consolidated financial statements.

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 5.2.4.3 above). The takeover of Veolia Environnement could also affect the validity of contracts entered into by Group companies that include a change in control clause.

Further to the completion of the redistribution transaction on July 25, 2014, Veolia Environnement granted EDF a call option covering its Dalkia International, renamed Veolia Énergie International, shares exercisable should an EDF competitor take control of this company. Likewise, EDF granted Veolia Environnement a call option covering all of its Dalkia France shares, exercisable should a Veolia Environnement competitor take control. These 5-year call options expire 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 €9.6 billion as of December 31, 2018) and through equity. As a result, it received €464.8 million in interest and €412.3 million in dividends in 2018. 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 €513.8 million, primarily in respect of the provision of services and brand royalties and temporary out-placement of personnel. In addition, in connection with contractual commitments relating to the financial management of repair and maintenance work at facilities made available by delegating authorities, the Company received indemnities of €80 million in full and final settlement from Water France Business Unit subsidiaries and paid €100.3 million to Water France Business Unit subsidiaries in 2018.

As part of its operating activities, Veolia Environnement has granted financial and operating guarantees totaling €2,135.3 million as of December 31, 2018.

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 2018 and attributable to the Company as of December 31, 2018, 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	3,383.9	9,679.5	7,395.9	1,726.1	(83.8)	157.9	22,259.5
Non-Group debt(1)	136.3	349.4	575.9	75.1	58.9	13,080.8	14,276.4
Net cash per the balance sheet(2)	10.0	1980.0	390.0	162.4	141.6	3,437.4	4,340.3
Net cash flows from operating activities	421.7	1,106.6	642.3	88.1	39.0	98.4	2,391.1
Dividends paid during the period and attributable to Veolia Environnement	160.6	0.0	4.9	3.9	242.8		

(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, including historical financial information relating to the Company filed with the AMF and any related updates, are available on the Company's website at www.veolia.com/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

8.6.1 STATUTORY AUDITORS

KPMG SA(1)

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 May 14, 2013 for a six-year term that will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2018.

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. Xavier Senent.

1-2, place des Saisons – Paris - La Défense 1 – 92400 Courbevoie.

Company first appointed on December 23, 1999 and reappointed by the Combined General Meeting of April 20, 2017 for a six-year term that will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2022.

8.6.2 DEPUTY STATUTORY AUDITORS

KPMG Audit ID(2)

2, avenue Gambetta, Tour Eqho, 92066 Paris la Défense Cedex.

Company first appointed by the Combined General Meeting of May 14, 2013 for a six-year term that will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2018.

(1) The renewal of the term of office of KPMG SA is presented to the General Shareholders' Meeting of April 18, 2019 for approval.

(2) The renewal of the term of office of KPMG Audit ID is not presented to the General Shareholders' Meeting of April 18, 2019, in application of Article L823-1-I paragraph 2 of the French Commercial Code.

8.7 Persons assuming responsibility for the Registration Document and the annual financial report AFR

8.7.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

Mr. Antoine Frérot, Chairman and Chief Executive Officer of Veolia Environnement.

8.7.2 STATEMENT BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

I hereby certify that to the best of my knowledge and having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is true and fair and does not contain any omission likely to affect its import.

I hereby certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all consolidated companies, and that the management report contained in this document provides a fair review of the development and performance of the business, results and financial position of the Company and all consolidated companies, together with an accurate description of the principal risks and uncertainties they face.

I obtained an audit letter from the Statutory Auditors in which they indicated that they have verified the information regarding the financial position and financial statements contained herein, and have read the entire Registration Document.

Aubervilliers,

March 12, 2019

Chairman and Chief Executive Officer

Antoine Frérot

8.8 Cross-reference tables

8.8.1 REGISTRATION DOCUMENT CROSS-REFERENCE TABLE

To facilitate the reading of this Registration Document, the following table cross-references the main headings as required by Annex I of Commission Regulation (EC) no. 809/2004 of April 29, 2004 with the corresponding pages.

Heading in Annex I of Commission Regulation (EC) no. 809/2004	Chapters / Sections of the Registration Document	Pages
8 – Property, plant and equipment		
8.1 Principal property, plant and equipment	1.5.3.2 and 4.1.6 Note 7.3	48 and 153
8.2 Environmental issues that may affect the issuer's use of property, plant and equipment	1.6	49
9 – Operating and financial review		
9.1 Financial condition	3.2.2 to 3.4	78 to 93
9.2 Operating results	3.2.2, 3.2.4 and 4.1.6 Note 5.2	78, 87 and 128
10 – Capital resources		
10.1 Information on the issuer's capital	4.1.5 and 4.1.6 Note 9	110 and 180
10.2 Sources and amounts of cash flows	3.3.5.3, 4.1.4 and 4.1.6 Note 8.1	92, 108 and 155
10.3 Borrowing requirements and funding structure	2.1.7, 4.1.6 Note 8.1.1	68 and 155
10.4 Restrictions on the use of capital resources	4.1.6 and Note 8.1.3	162
10.5 Anticipated sources of funds	3.3 and 4.1.6 Note 1.4	89 and 116
11 – Research and development, patents and licenses	**1.4 and 1.5.3.1**	**32 and 47**
12 – Information on trends		
12.1 Significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last fiscal year	3.7 and 3.11	95 and 101
12.2 Known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects	1.2, 3.7, 3.9 and 4.1.6 Note 14	13, 95, 96 and 195
13 – Income forecasts or estimates	**N/A**	
14 – Administrative, management and supervisory bodies and senior management		
14.1 Information concerning members of the Board of Directors and Executive Management	7.1.1, 7.1.2 and 7.3	364, 380 and 398
14.2 Conflicts of interest	7.1.3	380
15 – Remuneration and benefits		
15.1 Remuneration and benefits in kind	7.4.1, 7.4.3 and 7.4.4	400, 413 and 419
15.2 Retirement or other similar benefits	7.4.2	411
16 – Board practices		
16.1 Terms of office of members of the Board of Directors	7.1.1 and 7.1.2	364 and 380
16.2 Service agreements involving members of the Board of Directors	4.1.6 Note 13, 7.1.3 and 7.6	194, 380 and 427
16.3 Information on the Audit and Compensation Committees	7.2.2.1 and 7.2.2.3	392 and 395
16.4 Statement regarding corporate governance	7.2.1.1	381
17 – Employees		
17.1 Number of employees	Profile/Key figures and 6.4.2	7 and 325
17.2 Shareholdings and stock options	3.1.4, 4.1.6 Note 9.2.1.2, 6.4.4.4 and 7.4.3	76, 180, 335 and 413
17.3 Arrangements providing for employee involvement in the share capital	6.4.4.4	335
18 – Major shareholders		
18.1 Identification of major shareholders	2.2	69
18.2 Existence of different voting rights	2.2 and 8.1.9	69 and 435
18.3 Control of the issuer	2.2	69

Heading in Annex I of Commission Regulation (EC) no. 809/2004	Chapters / Sections of the Registration Document	Pages
18.4 Arrangements which could lead to a change in control of the issuer	8.3	439
19 – Related-party transactions	**4.1.6 Note 13**	**194**
20 – Financial information concerning the assets and liabilities, financial position and income of the issuer		
20.1 Historical financial information	Profile/Key figures, 4.1 and 4.2	9, 104 and 207
20.2 Pro forma financial information	3.10.2 and 4.1.1 to 4.1.5	98 and 104 to 111
20.3 Financial statements	4.1 and 4.2	104 and 207
20.4 Audit of historical annual financial information	4.1 and 4.2	104 and 207
20.5 Date of most recent financial information	4	103
20.6 Interim and other financial information	N/A	
20.7 Dividend policy	2.3 and 8.1.7	71 and 433
20.8 Legal and arbitration proceedings	4.1.6 Note 12 and 8.2	190 and 437
20.9 Significant change in the financial or trading position	1.2.1, 3.1.2 and 4.1.6 Note 3.2	14, 74 and 119
21 – Additional information		
21.1 Share capital		
21.1.1 Amount of subscribed share capital and authorized share capital not issued	2.1.1 and 2.1.4	60 and 64
21.1.2 Shares not representing capital	2.1.5	67
21.1.3 Shares in the issuer held by the issuer itself	2.1.3	61
21.1.4 Convertible securities, exchangeable securities or securities with subscription warrants	2.1.5, 2.1.7, 4.1.6 Note 8.1.1.1	67, 68, 156
21.1.5 Acquisition rights and obligations in respect of subscribed share capital not fully paid-up or any share capital increase	N/A	
21.1.6 Options over share capital of Group members	N/A	
21.1.7 Share capital history	2.1.6	67
21.2 Memorandum and Articles of Association		
21.2.1 Corporate purpose	8.1.5	432
21.2.2 Administrative, management or supervisory bodies	7.1 and 7.2	364 and 381
21.2.3 Rights, preferences and restrictions attaching to shares	8.1.7 and 8.1.9	433 and 435
21.2.4 Changes to shareholder rights	8.1.13	437
21.2.5 Conditions governing the manner in which General Shareholders' Meetings are called and conditions of admission	8.1.8	433
21.2.6 Provisions that could delay, defer or prevent a change in control of the issuer	N/A	
21.2.7 Disclosure of the crossing of ownership thresholds	8.1.11	436
21.2.8 Conditions governing changes in capital more stringent than required by law	N/A	
22 – Material contracts	**8.3**	**439**
23 – Third party information and statements by experts and declarations of any interest	**N/A**	
24 – Documents available to the public	**8.5**	**441**
25 – Information on investments	**4.1.6 Note 15 and 4.2.5 Note 7.11**	**195 and 240**

8.8.2 ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

To facilitate the reading of this Registration Document, the following table identifies the information comprising the annual financial report that must be published by listed companies pursuant to Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the general regulations of the French Financial Markets Authority (Autorité des Marchés Financiers).

Information required	Chapters/Sections of the Registration Document	Pages
1 – Consolidated financial statements	4.1	104
2 – Company financial statements	4.2	207
3 – Management report including the corporate governance report	see cross-reference table below	
4 – Statement by the person responsible for the annual financial report	8.7	442
5 – Statutory Auditors' reports on the consolidated financial statements and the Company financial statements	4.1.7 and 4.2.6	202 and 244
6 – Disclosure regarding the Statutory Auditors' fees	3.5	95

8.8.3 BOARD OF DIRECTORS' MANAGEMENT REPORT CROSS REFERENCE TABLE

This Registration Document includes all required disclosures in the Board of Directors' management report including the corporate governance report and particularly those set out in Articles L. 225-100 *et seq.* and L. 232-1 II of the French Commercial Code. These disclosures are identified in the following cross reference table.

	Chapters/Sections of the Registration Document	Pages
1 - Activity		
Position and activity of the Company and, as applicable, its subsidiaries and controlled companies during the previous fiscal year and of all the companies within the scope of consolidation	1.2, 1.3, 1.5.2 and 3.1	13, 23, 37 and 74
Results of the Company's activity, subsidiaries, and controlled companies	3.2 and 4.1	77 and 104
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	13, 23, 37 and 78
Key financial and non-financial performance indicators	Profile/Key figures, 3, 4.1 and 6	4, 73, 104 and 277
Description of the main risks and uncertainties	5.2	261
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	5.2.1.3 and 6.2.3	263 and 295
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	5.2.3.1, 5.2.3.2 4.1.6 Note 8.3, 4.2.5 Note 7.3	270, 272, 165 and 233
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	259
Branches	4.2.7	247
Research and development activities	1.4	32
Foreseeable developments in the position of the Company/Group and future outlook	1.2 and 3.9	13 and 96
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	3.9 and 3.11	96 and 101

	Chapters/Sections of the Registration Document	Pages
2 – Accounting and financial information		
Changes to the presentation of the annual financial statements or in the valuation methods adopted	3.10, 4.1.6 Note 1 and 4.2.5 Note 2	97, 113 and 217
Amount of expenses not deductible for tax purposes	4.2.7	247
Overall amount of sumptuary expenditure and the corresponding tax (Article 223 quarter of the French General Tax Code)	4.2.7	247
General expenses added-back to taxable income, by overall amount and expense category	4.2.7	247
Net income for the fiscal year and proposed appropriation of net income	4.2.3	213
Reminder of dividend distributions during the last three fiscal years	2.3	71
Table of results for the last five years	4.2.7	247
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	240
Controlling interests in companies whose registered office is in France	3.1.2, 4.1.6 Note 3.2 and 4.2.5 Note 7.11	74, 119 and 240
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	69
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	69
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 9	61, 76 and 180
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	69 and 335
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	69 and 335
Information on transactions by management and closely-related persons in the Company securities	7.5.2	426
Grant to and retention by corporate officers of free shares and/or stock options granted	7.4.3.1	413
6 – Stocks options and free share grants		
Stocks options and free share grants	7.4.3.1, 7.4.3.2 and 7.4.3.3	413, 415 and 417
7 –Statement of non-financial performance		
	6.7	350
8 – Other information		
Anti-competitive practices	N/A	
Information on supplier and customer payment periods	4.2.7	247
Vigilance plan and report	6.6	349
Information on facilities classified as high risk: • risk prevention policy for technological accidents implemented by the Company; • ability of the Company to cover its third-party liability for property and persons resulting from the operation of such facilities; • means implemented by the Company to ensure the management of victim compensation in the event of a technological accident for which the Company is liable.	5.2.2.1 and 5.1.6	265 and 260

	Chapters/Sections of the Registration Document	Pages
9 – Statutory Auditors		
Terms of office of Statutory Auditors	8.6	441
10 – Corporate Governance		
List of offices and positions held in all companies by each corporate officer during the fiscal year	7.1.1.3	366
Composition and conditions of preparation and organization of Board of Directors' activities	7.1.1 and 7.2.1	364 and 381
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	339, 364 and 381
Chosen method of exercising Executive Management	7.3.1	398
Limits on the powers of Executive Management	7.3.2	399
Reference to a corporate governance code	7.2.1.1	381
Compensation of executives and Directors	7.4	400
Compensation and benefits of all kinds paid during the fiscal year to each corporate officer of the Company	7.4.1.1, 7.4.1.2, 7.4.2.2, 7.4.3 and 7.4.4.1	400, 408, 413, 413 and 419
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	7.4.1.1.1, 7.4.1.1.2, 7.4.3 and 7.4.4.2	400, 402, 413 and 422
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	7.4.2.1 and 7.4.2.2	411 and 413
Factors likely to have an impact in the event of a public offer: • share capital structure of the Company:	2.1.1, 2.2.1 and 2.2.2	60, 69 and 70
• 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	435
• 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	69 and 70
• list of holders of any securities conferring special controlling rights and description thereof,	2.2.1 and 2.2.2	69 and 70
• control mechanisms provided in any employee share ownership systems, when control rights are not exercised by this system;	7.4.3	413
• agreements between shareholders of which the Company is aware and which could lead to restrictions on the transfer of shares and the exercise of voting rights;	N/A	
• rules applicable to the appointment and replacement of members of the Board of Directors, as well as amendments to the Articles of Association of the Company;	7.1.1, 8.1.8.3 and 8.1.12	364, 434 and 436
• powers of the Board of Directors, in particular regarding share issues and buybacks:	2.1.3 and 2.1.4	61 and 64
• 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	439
• agreements providing for compensation for members of the Board of Directors or employees in the event of resignation or dismissal.	7.4.2.3	413
Agreements entered into between a corporate officer or shareholder holding over 10% of voting rights and a subsidiary (excluding everyday agreements)	4.1.6 Note 13 and 7.6	194 and 427
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	64
Specific procedures governing the attendance of shareholders at General Shareholders' Meetings	8.1.8.2	433
11 – 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	7.4.3.2.1, 7.4.3.2.3 and 7.4.3.1	416, 416 and 413

2019 FINANCIAL REPORTING SCHEDULE

Thursday, February 21
2018 Annual Results

Thursday, April 18
General Shareholders' Meeting

Thursday, May 2
Key figures at March 31, 2019

Thursday, August 1
2018 First Half Results

Thursday, November 7
Key figures at September 30, 2019

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Resourcing the world VEOLIA

Veolia Environnement
A Public Limited Company (Société Anonyme)
with a share capital of 2,827,966,705 euros
403 210 032 RCS Paris

Administrative headquarters:
30, rue Madeleine-Vionnet – 93300 Aubervilliers – France
Tel. : +33 (0)1 85 57 70 00

Registered office:
21, rue La Boétie – 75008 Paris – France
www.veolia.com