VEOLIA

Registration Document 2016
Annual Financial Report

RESOURCING THE WORLD

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VEOLIA ENVIRONNEMENT

REGISTRATION DOCUMENT

Annual Financial Report

2016

Pursuant to Article 28 of Commission Regulation (EC) No.809/2004, the following information is incorporated by reference in the Registration Document: (1) the operating and financial review, the consolidated financial statements and the parent company financial statements for fiscal year 2015 and the corresponding Statutory Auditors' reports, included in Chapter 3 and Chapter 4, Sections 4.1 and 4.2, respectively, of the Veolia Environnement Registration Document for fiscal year 2015, filed with the AMF on March 16, 2016 under the number D.16-0146; (2) the operating and financial review, the consolidated financial statements and the parent company financial statements for fiscal year 2014 and the corresponding Statutory Auditors' reports, included in Chapter 9 and Chapter 20, Sections 20.1 and 20.2, respectively, of the Veolia Environnement Registration Document for fiscal year 2014, filed with the AMF on March 17, 2015 under the number D.15-0148.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The Registration Document *(Document de référence)* was filed with the *Autorité des Marchés Financiers* (AMF, the French Financial Markets Authority) on March 15, 2017, 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.

KEY FIGURES

Worldwide reference in optimized resource management

-0.4% [1]

24,390
Revenue in € million

+8.5% [1]

1,384
Current EBIT in € million

+4.3% [1]

3,056
EBITDA [2][3] in € million

+10.8% [1]

610
Current net income [2][3] in € million

7.2%
Post-tax ROCE [2][3] in %

WATER

4,052
water production plants managed

100 million
people supplied with water

2,928
wastewater treatment plants managed

61 million
people connected to wastewater systems

WASTE

40 million
people provided with collection services on behalf of municipalities

45 million
metric tons of treated waste

764,477
business customers

591
waste-processing facilities operated

ENERGY

44 million
MWh produced

37,339
thermal installations managed

551
heating and cooling networks managed

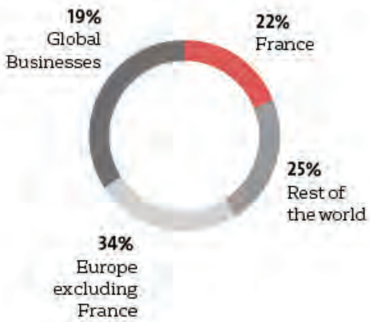
2,086
industrial sites managed

(1) At constant exchange rates.

(2) See Chapter 3, Section 3.8.3 Definitions.

(3) Excluding impacts related to IFRIC 12 interpretation.

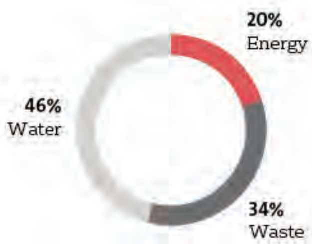
Revenue by segment (in %)



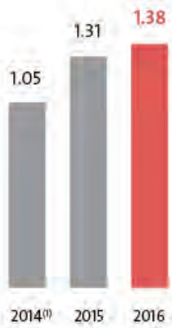
Revenue trends (in € billion)

EBITDA trends(2) (in € billion)

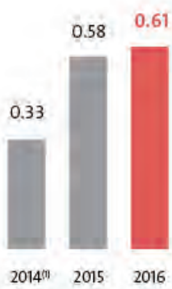
Revenue by business (in %)



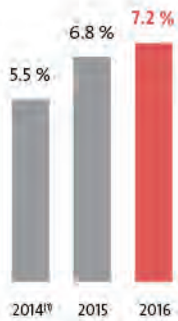
Current EBIT trends (in € billion)(2)



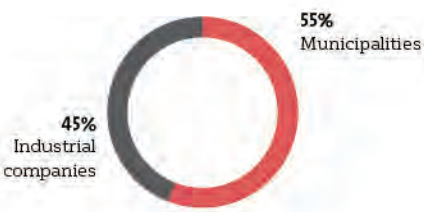
Current net income trends(2) (in € billion)



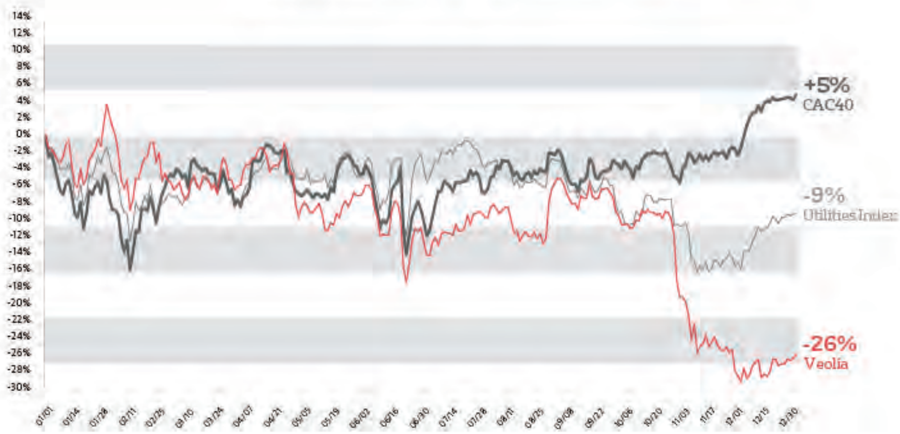
ROCE trends(2)(3) (in %)



Breakdown of the Group's customer base



2016 Stock market performance



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

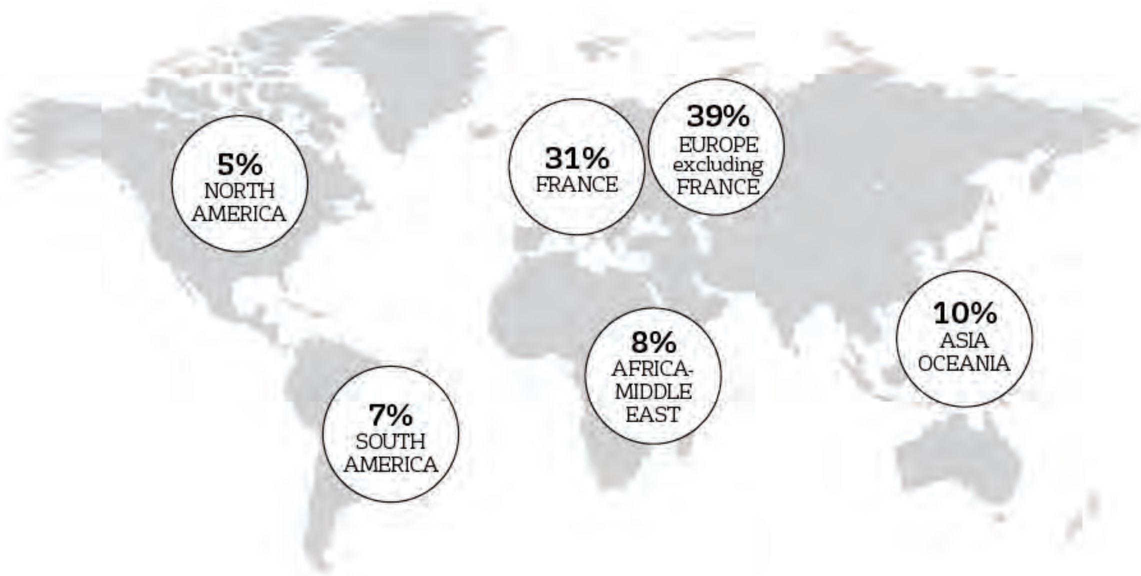
(2) Excluding impacts related to IFRIC 12 interpretation.

(3) Post-tax ROCE.

163,226

employees

Worldwide employee breakdown



14

million metric tons of CO_2 equivalent of reduced emissions

6

million metric tons of CO_2 equivalent of avoided emissions

73

% of employees who received training

84.8

% of the spending reinvested locally

Selected financial information AFR

Figures presented in accordance with IFRS

(in € million)	**12/31/2015** [1]	12/31/2016
Revenue	24,964.8	24,390.2
EBITDA	3,182.6	3,258.4
Current EBIT	1,393.3	1,476.5
Current net income - Group share	567.6	610.7
Operating cash flow before changes in working capital	2,575.7	2,639.0
Operating income after share of net income (loss) of equity-accounted entities [2]	1,200.9	1,169.6
Net income (loss) - Group share	437.7	383.1
EBITDA excluding impacts related to IFRIC 12 interpretation [3]	2,997.2	3,056.0
Current EBIT excluding impacts related to IFRIC 12 interpretation [3]	1,315.2	1,383.9
Current net income - Group share excluding impacts related to IFRIC 12 interpretation [3]	580.1	609.8
Operating income after share of net income (loss) of equity-accounted entities excluding impacts related to IFRIC 12 interpretation [2] [3]	1,122.9	1,077.0
Net income (loss) - Group share excluding impacts related to IFRIC 12 interpretation [3]	450.2	382.2
Dividends paid [4]	384.0	401.2
Dividend per share paid during the fiscal year (in euros)	0.73	0.80
Total assets	37,103.3	37,949.2
Net financial debt [5]	8,170	7,811
Industrial investments (including new operating financial assets) [6]	1,576	1,597
Industrial investments (including new operating financial assets) excluding impacts related to IFRIC 12 interpretation [3] [6]	1,484	1,485
Net free cash flow [7]	856	970

(1) *As disclosed in Chapter 4, Section 4.1, Note 1.2.4, IFRIC 12 interpretation clarifications and Chapter 3, Section 3.2.2.1, Changes in concession standards, the financial statements for the year ended December 31, 2015 were re-presented.*

(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) *The indicators excluding impacts related to IFRIC 12 interpretation are presented in Chapter 3, Section 3.2.2.1, Changes in concession standards and Section 3.8.2.*

(4) *Dividends paid by the parent Company.*

(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 net interest expense, net industrial investments, taxes paid, renewal expenses, restructuring charges and other non-current expenses.*

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ABOUT THE GROUP

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

1.1 History and general introduction

1.1.1 HISTORY AND DEVELOPMENT

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

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

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

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

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

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

2002 Vivendi Environnement carried out a major restructuring to refocus on its core environmental services activities, completed in 2004. This process ended with the sale of the US subsidiaries in the Water business line and of its indirect interest in the Spanish company Fomento de Construcciones y Contratas (FCC).
Between 2002 and 2004, Vivendi Universal gradually decreased its stake in Veolia Environnement through successive disposals and dilution. By December 2004, it held only 5.3% of Veolia Environnement shares and by July 6, 2006 held none at all.

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

2005 Veolia Environnement rolled out its new Veolia brand.

2011 Veolia Environnement and the Caisse des dépôts et consignations merged their respective transport subsidiaries (Veolia Transport and Transdev) to create the 50/50 joint venture Veolia Transdev (now Transdev Group).
The Group presented at the Investor Day its strategic plan and the plan for refocusing its activities and business portfolio, including €6 billion in asset divestitures over the following two years, a renewed focus on its three main business lines and the sale of regulated Water activities in the United Kingdom and solid waste activities in the United States. These activities were sold, respectively, on June 28, 2012 and November 20, 2012 and this major divestiture program continued throughout the 2013 and 2014 fiscal years.

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

2014 Veolia Environnement and EDF finalized the agreement relating to their joint subsidiary, Dalkia. Under the terms of this agreement, EDF took over all of Dalkia's activities in France and retained the Dalkia brand, while Veolia Environnement assumed control of the international business activities.
Veolia Environnement American Depositary Receipts (ADRs) have not been listed on the New York Stock Exchange (NYSE) since December 23, 2014. The American Depositary Receipt Facility program managed by Deutsche Bank has been maintained as a sponsored level 1 facility. The ADR securities are now traded on the US over-the-counter market. Veolia Environnement's obligations to report to the US Securities and Exchange Commission (SEC) ended at the same time.

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

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

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

1.1.2 GENERAL INTRODUCTION

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

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

This is Veolia's contribution to resourcing the world.

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

In 2016, the Group operated in 47[(1)] countries, generated revenue of €24,390 million and employed 163,226 people.

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

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

In the second-half of 2016, Veolia Environnement transferred its registered office to 21, rue La Boétie, 75008 Paris and its administrative headquarters to 30, rue Madeleine Vionnet, 93300 Aubervilliers.

1.2 Strategy

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

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

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

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

In 2016, Veolia commenced the implementation of a development plan aiming at achieving profitable, targeted and consistent growth by capitalizing on the achievements gained through the transformation process and focusing on two key areas:

- targeted revenue growth;
- further cost reductions, increased from €600 million to €800 million for the period 2016-2018.

The Group's mid-term outlook[(2)] is therefore as follows:

- 2017: a transition year, with a resumption of revenue growth, stable EBITDA or moderate EBITDA growth and increased efforts to reduce costs by more than €250 million;
- 2018: continuation of revenue growth and the resumption of more sustained EBITDA growth, with an objective of more than €300 million in cost savings;
- 2019: continuation of revenue growth and full impact of cost savings. EBITDA expected between €3.3 billion and €3.5 billion[(3)] (excluding IFRIC 12 impacts).

(1) *Countries where Veolia has a permanent establishment, employees and capital employed in excess of €5 million.*
(2) *At constant exchange rates.*
(3) *Equivalent to €3.4 billion to €3.6 billion (excluding IFRIC 12 impacts) before taking into account the unfavorable exchange rate impacts recorded in 2016.*

1.2.1 GROWTH IN THE MUNICIPAL MARKET

1.2.1.1 Cities in developed countries

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

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

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

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

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

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

- **Developing innovative models for cities**

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

- **Improving the standardization of processes** to lower costs and offer competitive solutions to cities' efficiency needs;
- **Guaranteeing performance objectives are met** in the long-term thanks to experience gained over many years and in multiple areas;
- **Improving customer relations and services for consumers**, in particular through new services based on digital technologies.

For example, since the beginning of 2016, Veolia provides the following solutions for drinking water services in the Lille metropolitan area serving over 1 million inhabitants:

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

Another example is the risk assessment performed by the Group in 2016, as part of its partnership with "100 Resilient Cities" and Swiss Re, of energy supply risks impacting the New Orleans drinking water, wastewater and drainage network, to assist the Sewerage & Water Board implement the necessary measures to increase resilience to disasters and stress facing the city.

1.2.1.2 Cities in emerging countries

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

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

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

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

In May 2016, the acquisition of the CDR Pedreira landfill site in Brazil furthered the Group's business development strategy, by accompanying the growing waste management needs of the Sao Paolo agglomeration.

1.2.2 GROWTH IN THE INDUSTRIAL MARKET

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

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

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

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

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

- 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 worldwide 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 and areas**, where the needs of customers and the environmental challenges involved are of particular importance and where the Group is capable of offering differentiated solutions:

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

  Veolia offers solutions that respond to this industry's water, waste processing and performance needs by positioning itself as a long-term partner to which companies can turn to address all their environmental and efficiency issues. In China, Veolia renewed its contract with Sinopec for 25 years in 2016, and now manages the entire water cycle at the Yanshan Petrochemicals site. The solutions proposed to Sinopec seek to reduce energy consumption per cubic meter of water produced, thereby reducing the site's carbon footprint. In the United States, the acquisition of Chemours' sulfur products division assets in 2016 strengthened the Group's recycling and regeneration expertise and technologies.

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

  Thanks to its portfolio of technologies, operational experience and global network which allow it to offer its best services around the world, coupled with its ability to operate at remote sites and to provide or propose funding, Veolia is able to meet these industries' compliance and operational performance requirements at a time when they are facing falling prices for raw materials and growing public and regulatory pressure over their environmental impact. In 2016, Veolia renewed its contract with AngloGold Ashanti (Ghana). The Group committed to maintain operating efficiency and service at the high levels attained since 2014, to guarantee the security of supplies and to reduce the environmental footprint in accordance with the environmental protection requirements of the Ghanaian government, while supporting local communities through the provision of employee training.

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

  Veolia supports the growth of companies in these sectors by offering solutions that enable them to use water, materials and energy more efficiently. It brings together cross-functional solutions that safeguard these companies' right to operate, performance and brand image. As with the other industries, Veolia's strategy is to work with its customers to co-develop innovative solutions that help create economic, social and environmental value. For example, in December 2015, Danone and Veolia announced the creation of a strategic partnership focused on managing the water cycle, waste and energy efficiency. This partnership forms part of Danone's climate policy, in which the company set itself the target of achieving net zero carbon emissions by 2050 within its full (direct and shared) scope of responsibility. Both groups have committed to growing the circular economy and will use this unique partnership to share their expertise and explore innovative solutions for managing water, plastics and waste. In addition, Veolia signed a seven-year contract with a leading global pharmaceutical group for the comprehensive management of utilities at four European sites: heating and cooling systems, steam production system and electrical equipment and management of the water and waste cycles. This contract was won by Veolia Industries Global Solutions and is part of a comprehensive utilities management approach for all sites of this industrial company worldwide.

- **The circular economy** (see Section 1.3.2.3 below)

  Pressure on resources, increasingly favorable regulations and the movement of society towards a circular, sharing and functional economy make this a key issue for which both industrial and municipal customers have high expectations. Veolia has set itself the aim of strengthening its leadership in this area by deploying existing technologies, innovating and positioning itself as a stakeholder that creates shared value. The services offered by the Group in relation to the circular economy are twofold: (i) supplying materials and products that are manufactured or repaired using waste materials, wastewater and waste energy, and; (ii) developing and implementing bespoke solutions to help industrial companies and municipalities to preserve and replenish their resources. To this end, Veolia acquired production resources in 2016 in East London that will allow it to manage the entire plastic bottle recycling supply chain: by recycling some 200 million of the capital's used milk bottles, this activity will generate energy savings of 75% compared with the manufacture of plastic bottles using "virgin" material, that is a saving equivalent to the energy consumption of nearly 20,000 households. The signature of a partnership with SEB Group and Eco-Systèmes to set-up the first loop of the circular economy for small electrical household equipment is yet another example.

- **The difficult pollution**

  The tightening of local regulations and the increase in the volumes of waste being produced (particularly that from the chemical, oil, metallurgy and nuclear industries and electrical and electronic equipment waste) both support Veolia's decision to further develop its positioning in relation to the processing of difficult types of pollution, particularly hazardous waste – a market with high growth potential. Veolia has capitalized on its range of technologies, expertise and unique organizational structure to develop innovative processing methods that produce high-quality raw materials. The Group's strategy consists of developing new facilities in developing countries (in Africa, the Middle East, Latin America and Asia) and strengthening the position of its existing facilities (in Europe, the United States and China) by expanding its network of processing plants and saturating its assets. The acquisition in 2016 of Kurion, specializing in the separation and vitrification of radioactive waste and robotic access to sensitive areas, consolidates Veolia's offering in nuclear facility clean-up and the processing of low and medium-level radioactive waste.

- **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. 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 pollutants (such as nuclear waste and asbestos), as well as for its ability to offer high-quality project management throughout the entire value chain, thereby guaranteeing, among other things, traceability and responsible waste management. In this area, Veolia is active in the dismantling of offshore oil rigs, trains and boats, as well as in the characterization of nuclear waste. Accordingly, Veolia and its partner, Peterson, will dismantle and recycle offshore oil platforms at the end of their life-cycle at the Great Yarmouth site in England, with a recycling objective of 96% of materials. The first platforms are scheduled to arrive at the site in the Spring of 2017.

1.2.3 EFFICIENCY PROGRAM

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

Veolia launched a new efficiency plan for the 2016-2018 period, which uses a similar method to the previous one, namely, developing improvement plans for each country and monitoring these centrally. The initial objective was increased from €600 million to €800 million gross additional savings[(1)] by 2018. Savings of €245 million were realized in 2016 and expected savings in 2017 and 2018 exceed €250 million and €300 million respectively.

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

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

The “operations” component will account for a higher proportion of total savings realized by the end of the 2016-2018 plan compared to the previous plan.

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

1.2.4 CLIMATE STRATEGY

Cities produce 70% of global CO_2 emissions[(2)] and as such the fight to reduce greenhouse gas emissions must focus on them and their territories. As a leading provider of environmental services, Veolia partners with many municipalities to assist them in their efforts. It also accompanies industrial customers, for whom this is equally a major challenge.

The Group is committed to reducing its emissions across its entire business chain to limit global warming to 2°C by the end of the century compared with the pre-industrial era.

It designs, supplies and operates solutions for its customers - both cities and industrial companies - to mitigate and adapt to climate change. The Group mobilizes its Research & Development department to identify long-term solutions and develop new contractual models to accompany its partners and also advocates for carbon pricing.

Mitigate climate change consequences and modify how we use natural resources

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

More specifically, Veolia offers the following services:

- recycling and waste recovery (production of secondary raw materials), helping, in particular, to reduce greenhouse gas emissions linked to the extraction of raw materials. For example, manufacturing a plastic bottle by recycling used bottles produces 70% less CO_2 than making it from oil products.
- producing renewable energies (heat and electricity) from waste and biomass;
- developing heating networks, enabling the introduction into the heating mix of heat produced locally, whether waste heat (heat from data centers or industrial companies, wastewater calories) or renewable energy (biogas, wind energy, etc.);
- energy efficiency in industry, services and the building sector.

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

- achieving 100 million metric tons of CO_2 equivalent of reduced emissions by the Group;
- achieving 50 million tons of CO_2 equivalent of avoided emissions for its clients over the period through the recovery of materials and energy from waste and the recovery of energy from wastewater.

(1) *Before implementation costs.*

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

Develop solutions to help customers adapt to climate change and improve their resilience

Veolia has developed a range of solutions to help customers adapt to climate change and improve their resilience, such as:

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

The Group co-develops these solutions with its customers and partners at local level, based on an approach built on short distribution channels and local loops.

Include a rising price of carbon into its strategic decisions

Veolia advocates a sufficiently high carbon price to include the cost of climate change as an externality to make the cost of pollution higher than that of cleaning it up and is a partner of several like-minded initiatives (World Bank, World Economic Forum's "CEO climate leaders", Global Compact's "Business leadership criteria", Carbon pricing leadership coalition, etc.).

Veolia has also set itself a rising carbon price internally to reflect its vision and changes in the regulations that govern the markets in which it operates. This price is primarily used to prepare investment committee meetings and enables better consideration to be given to potential financial risks.

For further information on the measures implemented and results obtained, please refer to Chapter 6, Section 6.2.3 below.

1.3 The Group's business lines and markets AFR

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

1.3.1 BUSINESS LINES

Veolia operates on five continents as a world leader in providing water management services on behalf of municipal and industrial customers. It is an expert in developing technological solutions and carrying out the construction work needed to operate its services. In 2016, Veolia provided drinking water to 100 million people and wastewater services to 61 million people worldwide.

A global standard for all waste solutions, from recycling to processing and recovery, the Group manages 591 processing facilities (excluding post-operational landfill sites) on behalf of municipalities and collects the waste produced by nearly 39 million people worldwide.

As a world leader in energy, Veolia operates 551 heating and cooling networks and is a key player in the field of energy efficiency solutions for buildings and industrial utilities, managing over 2,000 industrial facilities.

The revenue generated by the various business lines in 2016 can be broken down as follows:

- the Water business line accounted for 46% of the Group's consolidated revenue, or €11,137.7 million;
- the Waste business line accounted for 34% of the Group's consolidated revenue, or €8,401.2 million;
- the Energy business line accounted for 20% of the Group's revenue or €4,851.3 million.

1.3.1.1 Water

Thanks to its entities and subsidiaries located around the world, Veolia is a leading expert in water cycle management, from producing and supplying drinking water to collecting, treating, recovering and recycling wastewater. The Group manages 4,052 water production plants and manages 2,928 wastewater treatment plants on five continents, on behalf of municipalities, industrial customers and citizens.

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

Sustainable management of water resources

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

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

Water supply

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

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

At each stage of the water cycle, Veolia:

- **ensures water traceability** to guarantee that the quality of drinking water is preserved from the moment it leaves the plant to the point at which it reaches the consumer;
- **monitors and measures the quality of effluents collected** to ensure that the treatments carried out at the wastewater treatment plants operated by the Group are as effective as possible;
- **provides asset management 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

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

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

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

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

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

Customer service

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

Digitalizing the business

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

Control centers provide service operators with a synthetic and global vision in real time of the activities of infrastructures in their region, combining the rapidity of information technologies with the ability to focus action in the field by mobilizing Veolia technicians and operating staff.

Finally, Veolia has developed an energy management system that monitors in detail the energy used at sites operated, allowing performance to be continually improved.

Planning and construction work

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

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

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

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.

1.3.1.2 Waste

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

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

Waste collection

Collection is the first stage of the waste management process and is evolving more and more into a logistics service. Veolia provides door-to-door household waste collections, as well as collecting waste from communal disposal points, commercial and non-hazardous industrial waste and green waste (keeping green spaces clean), as well as hazardous waste from industrial and service sector customers, including biomedical waste from hospitals and laboratories and waste oil (e.g. from 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 develops innovative technical solutions to offer its customers a range of collection systems that can be adapted to suit their specific economic and regional requirements. New technologies have been developed in France, such as vehicles powered by biofuel, hybrid vehicles and alternative methods of transporting waste (e.g. by river or rail).

Recovering materials from waste

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

Solid waste is then transferred to specialized centers. In 2016, Veolia had 210 sorting centers and 390 transfer stations.

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

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

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

Waste-to-energy recovery

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

Incineration and waste-to-energy recovery

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

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

Landfill and waste-to-energy recovery

At its landfill sites for non-hazardous waste, Veolia has developed unique expertise in processing waste using methods that reduce emissions of liquid and gas pollutants. 53 facilities are equipped with systems for converting biogas into a source of alternative energy.

Dismantling

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

Processing of hazardous waste

In 2016, Veolia had 27 incineration units for hazardous industrial waste, 49 plants carrying out physicochemical and stabilization treatments, 15 hazardous waste landfill sites and 35 specialized recycling centers.

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

Veolia boasts a global network of experts who have helped it to become a world leader in processing, recycling and recovering hazardous waste and decontaminating land.

In 2016, following the acquisition of Kurion, the Group brought together the activities of Asteralis, Veolia ES Alaron and Kurion, all of which specialize in nuclear facility clean-up and the processing of low and medium-level radioactive waste, within a single entity, Nuclear Solutions (see Section 1.4.2.4 below).

Urban and industrial cleaning services and sanitation

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

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

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

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

1.3.1.3 Energy

In the energy sector, Veolia focuses its activities on the energy performance of regions and industrial companies: energy services, heating and cooling networks, electricity. Veolia's value proposition seeks to guarantee the energy and environmental performances 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 waste 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).

Veolia's local roots, its ability to optimize the energy mix and, especially, its guaranteed performance offering are all differentiating factors.

Energy services for buildings and industrial companies

Veolia's offering focuses on the operation and maintenance of installations with or without the sale of energy, the management of the energy mix and energy optimization services with guarantees covering performance and/or the carbon footprint for public services, buildings or industrial units.

Whatever their purpose, supplying buildings with heating, air conditioning, lighting and hot water consumes a significant amount of energy. Veolia develops energy services for buildings that enable their owners to ensure the comfort of occupants, while at the same time reducing their energy consumption and making them more environmentally friendly. Veolia carries out energy audits of buildings, which are then used as a basis for developing and implementing improvement plans that meet customers' needs in terms of comfort and reducing energy consumption and CO_2 emissions. These plans may involve carrying out work on the building in question, installing simpler, more efficient energy equipment or tools for monitoring consumption, managing the building's performance or putting measures in place that encourage occupants to save energy.

In several regions, the Group has set up "Hubgrade" control centers to manage the energy performance of buildings, allowing both public and private sector customers (including those in the industrial and service sectors) to benefit from Veolia's breadth of expertise in managing energy services for buildings.

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

- optimizing industrial utilities: steam, electricity and compressed air;
- optimizing the use of process energy (aligning use with needs and identifying sources of waste 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 available , 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.

Heating and cooling networks

Veolia's offerings focus on the production and distribution of heat, steam or cold through urban or industrial networks and encompass the promotion of renewable energies to optimize the energy mix: biomass, biogas, incineration or waste heat, where possible in synergy with another Veolia activity (waste or water). They rarely include solar or wind energy, as these energy sources require either centralized production or production at individual household level (solar).

Veolia is one of Europe's leading companies for managing urban heating and cooling networks, particularly in Central and Eastern Europe, and enjoys a strong position as an operator in the United States. These networks supply heating, hot water and air conditioning to a wide range of public and private facilities, including schools, health centers, office buildings and apartment blocks. In addition to this, plants often generate electricity that can be sold, either to operators or on the market.

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

Veolia works in partnership with municipalities, not only to support them in developing their energy strategy and urban planning, but also in the fight against fuel poverty.

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

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.

1.3.1.4 Multi-business contracts with industrial customers

Industrial outsourcing and integrated services

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

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

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

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

Veolia Industries Global Solutions (VIGS) enables the Group to provide integrated solutions for industrial sector customers. 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

The Group's operations in the multi-business field are mainly represented by around 10 major contracts, totaling average annual revenue of approximately €400 million.

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

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

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

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

1.3.2 MARKETS

Environmental management services provided by Veolia include drinking water treatment and distribution, wastewater and sanitation services, and waste management and energy services. This market also encompasses the design, construction and, where applicable, financing of facilities necessary 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 among municipalities, industrial companies and end-consumers of the need to take steps to protect the environment, with a regulatory framework that is becoming more stringent throughout the world and giving rise to investment and operational requirements;
- service cost restraints associated with performance requirements for state bodies and industrial companies, which encourage the outsourcing of services to specialists;
- significant changes in public behavior: increasingly knowledgeable about health, environmental protection and lifestyle changes aimed at a higher standard of living; increasingly sensitive to the functions of recycling and the collaborative economy; and wanting greater transparency in service governance.

1.3.2.1 Introduction to the municipal market

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

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

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

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

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

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

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

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

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

In particular, Veolia's solutions cover:

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

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

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

- improving water resource quality, air quality and cleanliness;
- specific solutions improving urban quality of life;
- solutions for reducing greenhouse gas emissions;
- development of sustainable districts.

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

1.3.2.2 Introduction to the industrial market

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

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

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

Veolia offers industrial and service customers a full range of work and/or services to improve their competitiveness, and their environmental and social impact: improving facilities, producing the utilities necessary for the industrial process (steam, industrial heating and cooling, process water, demineralized water, compressed air, etc.), optimizing consumption, reusing process water, limiting and recovering byproducts (treatment of effluents, recycling and recovery of waste, the competitiveness and durability of the disposal sectors, etc.), and improving ownership by stakeholders and local people.

1.3.2.3 The Group's seven priority growth areas

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

Innovative models for cities

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

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

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

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

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

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

- **Internet of things**: Veolia is a facilitator of the urban IoT (Internet of Things), notably with its partner Huawei. The objective is to design better performing services thanks to an overview of systems, from on-board technology in communicating objects to customer service expectations. To this end, Veolia is leveraging its leadership in smart metering with over 5 million sensors/meters fitted.
- **Digitalization of operations**: Veolia sets the standard for digital in its business lines. In partnership with IBM, the Group has developed a hypervision platform for water services that offers an overview of activity (Waternamics), great responsiveness, information transparency, operational efficiency and critical event management;
- **Overall vision of the city:** as a Smart City partner, Veolia is developing a range of applications that provide a real-time overview of the city (Urban Board, web platform for elected officials) and facilitate interaction with citizen-consumers of urban public services (Urban Pulse, mobile application for the general public).

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 right to operate, on maximization of customer asset availability and output, on reduction of costs and risk, on resource and water efficiency, and on regulatory compliance.

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

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

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

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. However, like the metals industry, the mining sector is currently in a weakened state because of low commodity prices, reducing mining companies' margins and capacity for investment. Also under pressure from the public and regulators, these industries now need to limit their ecological footprint to ensure their production operations are sustainable.

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

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

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

- **installation and operation of water treatment plants** (e.g. desalination) and wastewater (industrial effluent) treatment and reclamation plants, acid mine drainage treatment, waste management, etc.;
- **optimization of operational performance** thanks to a range of services for utility efficiency and waste recovery;
- **soil recovery and improvement, site recovery**;
- **financial consulting**.

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

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

The circular economy

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

Veolia helps its customers to create value by:

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

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 of meeting customers' needs: cost optimization, reduction of environmental liability risk, appropriate and complete processing facilities compliant with regulations, and improved ecological footprint.

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

Management of end-of-life industrial facilities and equipment

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

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

1.3.2.4 Contracts

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

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

Contractual relationships with municipalities

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

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

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

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

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

Contracts generally fall into one of three categories:

- **public contracts**: the public entity charges the contractor with delivering supplies, work and/or services in exchange for payment by the former as the services are performed. These contracts may have a limited purpose (e.g. operating a heat production plant, a waste processing facility, a sewage treatment plant, etc.). Increasingly, however, municipalities are turning to comprehensive public procurement contracts, whereby the company is tasked with designing, building, operating and maintaining facilities; these may include remuneration mechanisms (particularly Design, Build, Operate, Maintain (DBOM) procurement contracts) or Design, Build, Operate (DBO) contracts for international markets, including design but no financing;
- **partnership contracts** on the basis of Build, Operate, Transfer (BOT), or Build, Own, Operate (BOO) contracts 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. Long-term contracts may include a periodic review of financial terms and conditions.

Partnerships with industrial and service sector companies

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

- **outsourcing a group of services** not included in its core business, such as site management (steam, compressed air, electricity, cooling towers, cooling unit, heating, ventilation, air-conditioning, etc.), the water cycle (drinking water, process water and effluents) and waste management. More broadly, the Group can manage the full range of production support services at industrial sites: building maintenance, lifting equipment, fire detection, mechanical and electrical maintenance, calibration, instrumentation, 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.

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

1.3.2.5 Factors that could influence the Group's business lines

The Group's main business lines could be influenced by the key factors set out in Chapter 5, Section 5.1, Risks relating to the issuer, above.

Water management

- 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 customers and some larger industrial customers (for designing and building installations);
- the ability to meet service commitments negotiated with customers or regulators;
- continued technological leadership (for designing and building installations);
- a full grasp of the constraints and technical solutions in relation to contract performance;
- thoroughness in negotiation and performance (particularly as regards the ability to respect deadlines and the costs budgeted for designing and building installations).

Waste management

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

Energy services

- 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 climatic variations from year to year, which can affect sales of heating and cooling;
- the economic environment and its influence on the activity levels of industrial sites.

Common factors

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.

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

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

The prices of energy and raw materials experience variations, which are very often material. For example, in 2016, the average price of a barrel of North Sea Brent crude was US$44 (down 17% on the 2015 average), despite an overall increase in prices throughout the year to a high of US$55 at the end of December 2016, i.e. an increase of 50% on the end of December 2015. The decrease in the average price, in euro, of a barrel of Brent crude is roughly the same at 16% year-on-year (increase of 55% between December 2015 and December 2016).

As for gas prices, they change with the weather and how competitive gas is with coal, which explains the major price variations from one year to the next. Average gas prices for the main European interconnection points fell by around 29% in 2016 compared with 2015. Prices fell significantly in the first quarter of 2016, followed by an upturn in the second quarter which was completely neutralized in the third quarter. Finally, prices rose significantly in the final quarter of 2016, exceeding at the end of December 2016 levels at the end of December 2015.

In addition the low average fuel price in 2016 compared with 2015 had a positive impact on the fuel expenses of the Waste business, of around €10 million in 2016.

The general consensus among product analysts is that oil prices will keep rising in the long-term, owing to the increasing scarcity of known oil reserves, and the need to adopt new sources of energy in response to growing environmental demands. However, the timeline for this trend is difficult to forecast because of the limited visibility that market participants face in terms of economic growth. A further drop in commodity prices can therefore not be ruled out. At any rate, as in recent years, energy prices are expected to remain volatile in 2017.

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 2016, annual averages for two representative price benchmarks (Copacel 1.05 for recycled paper and E40 for ferrous scrap) reported a 11% increase for recycled paper and a 11% drop for ferrous scrap, compared with the 2015 averages. On that basis, Waste business revenue increased €19 million in 2016 thanks to the strong increase in the price of paper, offsetting the drop in the price of ferrous and non-ferrous metal and plastics.

1.3.2.6 Competition

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

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

"Global multi-service companies"

"Global multi-service companies" have both a global geographic footprint and an extensive range of services in the Water, Waste and Energy business lines. Veolia belongs to this category, as do Suez 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 business 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.

"Global specialists"

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

- in a context of declining electricity prices in recent years and expanding renewable energy sources, particularly in Europe, energy companies have been repositioning themselves into the renewables and "downstream" sectors (Fortum, E.on, EDF) in recent years, and particularly energy efficiency services. Moreover, these companies are professionalizing their approach through innovations in the digital field (control centers, network optimization, the Internet of Things, etc.);
- the major equipment manufacturers, such as Evoqua Water Technologies, Itron and Doosan, have a presence in both the municipal and industrial markets. Focused on equipment sales, their growth strategies are also based on developing digital offerings, such as control centers and the Internet of things. In emerging countries , Veolia faces off against Spanish and Brazilian civil-engineering firms (ACS, Sacyr, Acciona, Odebrecht, etc.), particularly in seawater desalination projects, or Asian equipment manufacturers, such as Hyflux (based in Singapore) and Wabag (based in India), which are gradually moving into operations;
- in the field of oil and gas, the competition is relatively fragmented. In addition to the large equipment manufacturers cited above, this competition comprises engineering companies, service providers and equipment manufacturers (Ecosphere), as well as energy companies, especially in the United States, where oil service operators (Schlumberger, Halliburton, Fractech and Baker Hughes), engineering companies (Worley Parsons, Kellog Brown Root and Mustang) and other subcontractors (Bechtel, Technip and Aker Solutions) have a presence;

- many companies operate in the decommissioning market, owing to the variety of industrial infrastructure reaching the end of its working life: oil rigs (Stork, Cape, Hertel and Bilfinger), petrochemical plants (Amec, AF Group, Aker Stord and Able UK), nuclear reactors (Areva, Onet, Bouygues, Vinci, Westinghouse, Amec, Nukem, Iberdrola, Ansaldo and Tractebel), and transportation, such as ships, trains and aircraft (TarmacAeroserve-SITA);
- in the service sector, competition takes many forms, and also comes from specialized companies (cleaning, food services, etc.) seeking to expand their offering into energy, from technical maintenance companies focusing on areas such as electrical facilities and which are increasingly forming partnerships with major construction and public works groups (Vinci, Bouygues, etc.), or from groups specializing in facility management (Sodexo, JLL, etc.).

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

"Local specialists"

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

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

An emerging category of new players is leveraging new digital technologies to optimize services to the end customer: 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.

"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.

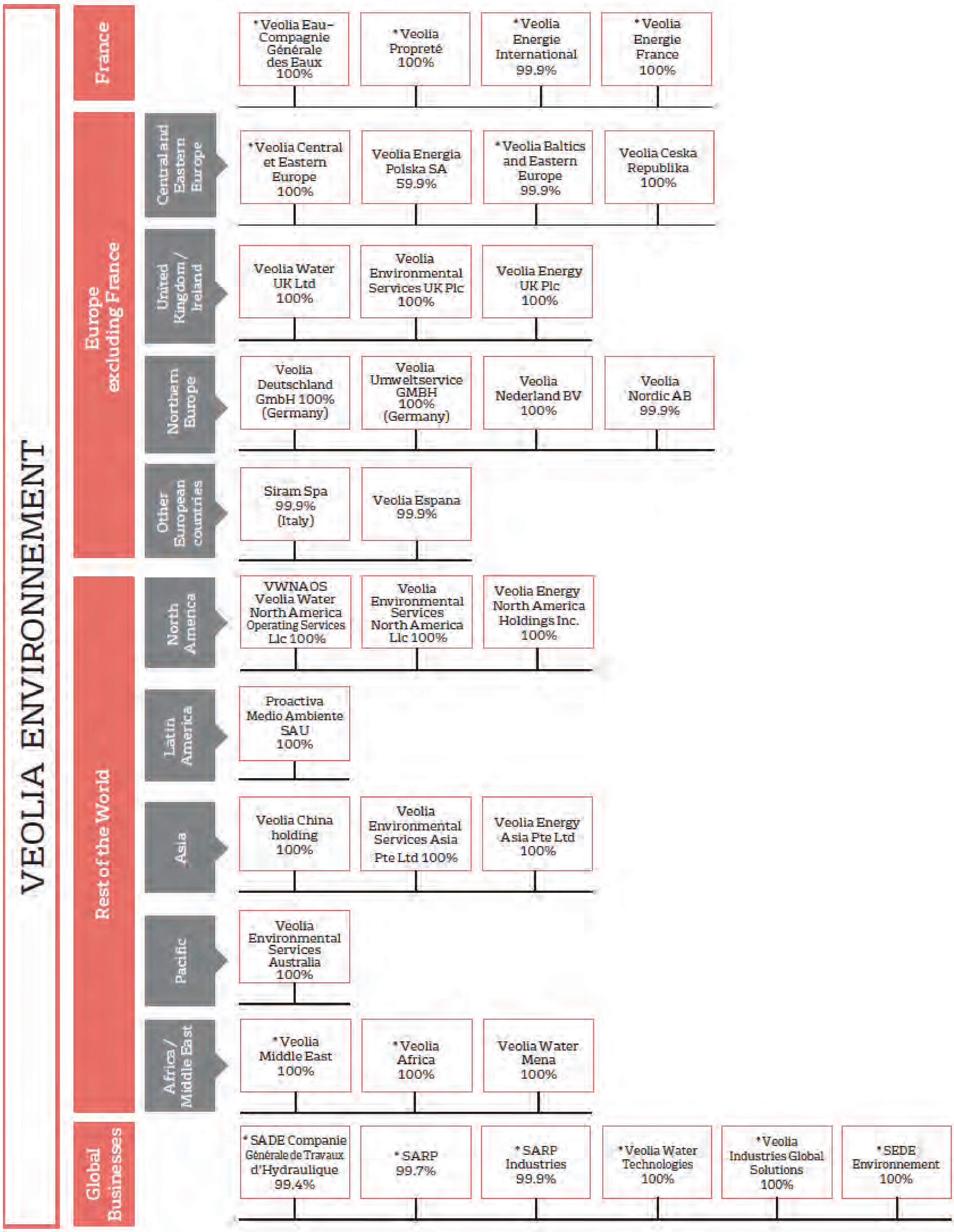
1.4 Organization of the Group and other information relating to its operations AFR

1.4.1 ORGANIZATIONAL CHART

The following organizational chart is a simplified chart of the main subsidiaries owned by Veolia Environnement, directly and/or indirectly, on December 31, 2016, categorized by geographic zone.

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

The list of the main companies included in the 2016 consolidated financial statements is presented in Chapter 4, Section 4.1, Note 15 to the consolidated financial statements below.



Key:

* Company with its registered office in France

% Veolia Environnement's direct and indirect percentage holding as of December 31, 2016

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

1.4.2 GEOGRAPHICAL ORGANIZATION OF ACTIVITIES

The following table sets out the geographic spread of Veolia Environnement 2016 revenue by operating segment.

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

2016 revenue

(in € million)	Total
France	**5,417.7**
Water France	2,920.2
Waste solutions (Recyclage et Valorisation des Déchets)	2,487.5
Europe excluding France	**8,286.3**
Central and Eastern Europe	2,841.6
United Kingdom and Ireland	2,153.0
Northern Europe	2,327.3
Iberia	333.1
Other Europe excluding France	631.2
Rest of the World	**6,028.4**
North America	1,891.9
Latin America	616.8
Asia	1,333.2
Pacific	959.0
Africa/Middle East	1,227.5
Global businesses	**4,626.2**
Veolia Water Technologies	1,936.5
SADE CGTH	1,226.2
Hazardous waste	887.0
Veolia Énergie France	93.1
Other global businesses	483.4
Other	**31.6**
TOTAL GROUP	**24,390.2**

1.4.2.1 France

France is Veolia's historical market and represents a major part of the Group's activities in the areas of water and waste. The two Business Units in France are Water France and Waste Solutions (Recyclage et Valorisation des Déchets). These two Business Units represent consolidated revenue for 2016 of €5.4 billion, or 22.2% of the Group's total business activities.

Veolia Énergie France revenue is included in the Global businesses segment (see Section 1.4.2.4 below).

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

Water France

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

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

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

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

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

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

- **Network management:** Water France uses modeling systems that allow it to optimize the performance of its networks and the overall costs allocated to them;
- **Customer relations:** Water France develops systems to manage contracts and consumption (online services, mobile apps, local help desks, etc.) for the individuals it serves;
- **Waternamics**: a global partnership between IBM and Veolia which has facilitated the development of a solution to analyze data from water management systems, provide global oversight of operations and predict events. This solution will allow us to stand out from the competition by offering real time monitoring of technical and economic indicators while helping operating teams to work more efficiently. It is currently used for water in Lyon and Lille and for wastewater in Saint-Malo. Waternamics is currently being rolled out by several municipalities, including Arcachon and La Baule.

In order to develop new growth levers, Veolia launched via Nova Veolia new innovative services for the Group and external markets.

These new offerings are developed through service start-ups with a high digital component.

The following services have been created:

- operations planning and steering (Majikan);
- mass invoicing and collection services with a high social component (Payboost);
- automatic meter-reading and management of connected things for the smart management of cities (M20);
- an interactive data platform and best practices for water businesses (FluksAqua).

After an implementation phase serving the Group, these companies will roll-out their services to new customers.

Revenue for this Business Unit in 2016 amounted to €2,920.2 million and represents 12% of Group revenue as of December 31, 2016.

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

Taken together, the public service concession contracts renewed in 2016 represent estimated cumulative revenue of €1,054 million, in what remains a highly competitive market. Successes during the period include 22 new public service delegation contracts and 356 new service agreements with municipalities with the most significant being the contract to operate wastewater treatment plants for 10 municipalities in the French Riviera metropolitan area and the contract for drinking water production services with the Blois municipality. In addition, over 12 new industrial market contracts were signed and 17 contracts were renewed.

The following table presents revenue generated by the main municipal contracts in France which are to be renewed or renegotiated during the period from 2017 to 2021:

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

Waste solutions (Recyclage et Valorisation des Déchets)

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

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

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

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

(1) *According to the BIPE 2015 report.*

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

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

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

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

Revenue for this Business Unit in 2016 amounted to €2,487.5 million and represents 10.2% of Group revenue as of December 31 2016.

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

Veolia Énergie France

In 2015, Veolia acquired Altergis (now Veolia Énergie France), a Marseille-based specialist in energy services in France, followed by GESTEN in 2016, based in Saint-Ouen in the Seine-Saint-Denis département and BOONEN, based in Nancy, to complete its geographical coverage,

Veolia offers comprehensive energy services to public and private customers in France. Veolia Énergie France achieved annual revenue of €93.1 million as of December 31, 2016.

Veolia Énergie France proposes three types of offerings:

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

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

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

Veolia Énergie France offers its customers services for 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 (agribusiness, labs, cosmetics, etc.);
- Living (condominiums, social housing, hotels, luxury residences);
- Service (buildings, offices, movie theaters, wholesalers, shopping malls, etc.).

The major contracts signed in France in 2016 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 d'Agglomération de Lens-Liévin	March	Renewal	9	53	Production, storage and conveyance of drinking water
Syndicat intercommunal d'alimentation en eau potable de Tremblay-en-France/Claye-Souilly (SIAEP-TC)	April	Renewal	12	68	Production and distribution of drinking water
Commune de Porto Vecchio	June	Renewal	12	48	Production, treatment, transportation and distribution of drinking water
Communauté Urbaine d'Arras	July	Renewal	9	130	Municipal and on-site wastewater services and drinking water production and distribution
Syndicat Intercommunal de la Grande Plagne	July	Renewal	15	42	Municipal wastewater services and management of drinking water
City of Joué-lès-Tours	July	Renewal	15	40	Drinking water operating services
Rodez agglomeration	October	Renewal	5	16	Municipal wastewater services
Syndicat de l'Eau du Var Est (SEVE)	December	Renewal	10	28	Production, treatment, transportation and storage of drinking water
Waste solutions (Recyclage et valorisation des dechets)					
Communauté de communes Pévèle Carembault	April	New	5	24	Household waste collection
Grand Nancy	June	Renewal	10	125	Waste-to-energy recovery of household waste
Syctom, Paris	July	Renewal	4	65	Waste reception, sorting and conditioning
Le Mans Métropole, communauté urbaine	July	Renewal	15	208	Operation of a waste-to-energy recovery facility and a bottom ash processing facility
SDEDA- Syndicat départemental d'élimination des déchets de l'Aube	September	New	25	240	Design, build and operation of a waste-to-energy recovery plant
CA de Cergy Pontoise	October	New	5	34	Household waste collection
Métropole Aix-Marseille Provence	November	New	5	22	Household waste collection and street cleaning services at la Ciotat
Eco-mobilier	November	Renewal	1 (1)	11	Processing of furniture waste
SYTRAD, Syndicat de Traitement des déchets Ardèche-Drôme	December	New and renewal	17	176	Operation of household waste organic waste-to-energy recovery facilities
Renault SAS	December	Renewal	5	55	Comprehensive waste management

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

(1) *Automatic two-year extension subject to conditions.*

1.4.2.2 Europe excluding France

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

Revenue for this Europe excluding France segment in 2016 amounted to €8,286.3 million and represents 34% of Group revenue as of December 31, 2016.

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

Central and Eastern Europe

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

In 2016, these operations were strengthened, notably, by the acquisition of a heating network supplying the Vltava Left Bank area in Prague (Czech Republic) and the Szakoly power plant in Hungary (fifth largest biomass plant in the country). In addition, in Armenia, the drinking water delegated management contract for the capital, Erevan, was renewed on expiry and transformed into a drinking water and wastewater services delegated management contract for the entire country, awarded to Veolia for a period of 15 years.

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

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

United Kingdom and Ireland

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

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

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

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

Northern Europe

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

In Germany, the Group is focused on three business lines: Water, Waste and Energy. In 2016, Veolia developed its presence in utilities management at industrial sites and, through external growth, its energy consumption optimization offerings.

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

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

Other European countries

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

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

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 customers the best possible performance, Veolia opened an energy management center in Spain, Hubgrade, from which it can remotely control all its facilities on a real time basis.

Veolia also manages the sole special waste incineration plant in Spain (in Constanti in Catalonia) and one of the county's largest desalination plants.

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

The major contracts signed in the Europe excluding France segment in 2016 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)* (1)	Services provided
Municipal sports department, Donostia-San Sebastian Spain	February	New	10	17	Supply of energy services and maintenance of thermal and electrical facilities
Prague Left Bank Czech Republic	February	New	20	890	Takeover, management and operation of heating networks in Prague
Kilpilahti Power Plant Ltd, Finland	March	New	20	350	Operation and maintenance of a cogeneration plant (heat and electricity)
Hampshire County Council United Kingdom	April	New	15	135	Management for household waste recycling centers
Hungarian National Grid Operator (MAVIR) Hungary	May	New	12.5	181	Takeover and operation of a biomass plant
Ville de Rokycany Czech Republic	May	Renewal	10	30	Production and distribution of drinking water and collection and treatment of wastewater
Hertfordshire County Council United Kingdom	July	New	30	1,679	Waste processing
St Albans City & District Council United Kingdom	August	New	8	78	Waste collection and street cleaning
Republic of Armenia	November	New	15	800	Distribution of drinking water and treatment of wastewater
London Borough of Camden United Kingdom	December	Renewal	8 (2)	285	Household waste collection, recycling, street cleaning and winter maintenance

* *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 2016 average closing exchange rate.*

(2) *Potential renewal for a period of 1 to 8 years, subject to conditions.*

1.4.2.3 Rest of the World

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

Revenue for this Rest of World segment in 2016 amounted to €6,028.4 million, and represents 24.7% of Group revenue as of December 31, 2016.

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

North America

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

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

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

For industrial customers, Veolia is primarily involved in the Water and Waste business lines, with a significant portion of its revenue coming from the oil and gas industry (primarily in refineries: 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. In coming years, Veolia intends to expand its range of Water, Energy and Waste services by leveraging its substantial customer site-based presence to cross sell across all sectors.

Latin America

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

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

Veolia's current portfolio of activities provides an excellent basis for development in order to supply the Group's traditional range of offers to municipalities (e.g. extending the water concession for Monteria, Colombia) and expand into the mining, oil & gas and food & beverage sectors by providing offers with significant added value for industrial customers. Additionally, thanks to its alliance with EPM (Empresas Públicas de Medellín), a major player in public services in Colombia, the zone wishes to roll-out its energy efficiency services in this country.

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 or performance contracts and energy production on the basis of renewable resources.

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

Pacific

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

Africa/Middle East

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

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

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

In this zone, Veolia is also seeking to develop its activities in the mining sector (notably the treatment of contaminated effluents) and in the oil and gas sector (notably the processing of drilling sludge).

The major contracts signed in the Rest of World segment in 2016 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
Hanamigawa Japan	February	Renewal	3	39	Operation and maintenance of a wastewater treatment plant
City of New London United States	March	Renewal	5	33	Operation and maintenance of a drinking water distribution system and a wastewater treatment system
City of Rancagua Chile	May	New	5	22	Waste collection and street cleaning
Mexico City / SACMEX Mexico	May	Renewal	5	67	Management of drinking water
Milwaukee Metropolitan Sewerage District United States	June	Renewal	10	473	Management, operation and maintenance of wastewater treatment and evacuation facilities
Sinopec Corp. Beijing Yanshan Petrochemical co. Ltd China	June	Extension	25	3,004	Operation of the complete water cycle at a petrochemical site and rehabilitation and operation of a water treatment plant on the site
Shandong Hongda Chemical Co. Ltd China	July	New	10	270	Optimization of energy management (cogeneration)
Ashghal-Public Works Authority Qatar	July	Renewal	3	59	Operation and maintenance of two wastewater treatment plants
City of Tuluá Colombia	September	Renewal	10	43	Household waste collection and processing and street cleaning
City of Florianópolis Brazil	November	Renewal	2.5	22	Waste collection and processing
City of Gloucester United States	November	Renewal	8	30	Operation and maintenance of a water treatment plant
City of Jackson United States	November	New	10	103	Operation and maintenance of wastewater treatment facilities and pumping stations
Matsuyama Japan	November	Renewal	5	14	Operation and maintenance of drinking water distribution systems

* *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 2016 average closing exchange rate.*

1.4.2.4 Global Businesses (Global Enterprises)

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

Revenue for this Global businesses segment in 2016 amounted to €4,626.2 million, and represents 19% of Group revenue as of December 31, 2016.

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

Veolia Water Technologies

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

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 includes the solutions proposed by the Group in the nuclear sector, the range of which was expanded by the acquisition of Kurion in 2016.

SARP – SARP Industries

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

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

Nuclear Solutions

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

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

Other

SEDE Environnement

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

Veolia Industries Global Solutions

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

The major contracts signed in the Global Businesses segment in 2016 with municipalities or with companies in the industrial and service sectors were as follows*:

Municipality or company and location thereof	Month of signature of contract	New contract, or extension or renewal	Contract term	Estimated cumulative revenue *(in € million)*(1)	Services provided
Water					
Técnicas Reunidas Integrated Gas Saudi Arabia	February	New	-	54	Construction of a water treatment plant
Salmar Settefisk AS Norway	April	New	-	11	Construction of a water treatment plant
Aibel Pte Ltd Australia	June	New	-	40	Design and Build of a water treatment module
PC Construction Company (Binghamton-Johnson City) United States	June	New	-	22	Construction of a water treatment plant
Suzano Papel e Celulose S.A. Brazil	August	New	-	11	Construction of a water treatment plant
Hebei China Salt Longxiang Salt Co., Ltd China	September	New	-	18	Construction of a water treatment plant
Multi-business					
DCNS France	September	Extension	10	400	Provision of multi-technology and multi-service services

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

(1) *Aggregate revenue is estimated based on the contract amount translated into euro at the 2016 average closing exchange rate.*

1.5 Other activities

1.5.1 RESEARCH AND INNOVATION

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

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

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

In 2016, the total budget for research and innovation was approximately €65.1 million.

1.5.1.1 Research and Innovation in support of Veolia's development

In 2016, Research and Innovation (or R&I) reports to Veolia's innovation and markets department and is coordinated by Veolia Recherche et Innovation (VERI).

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

In 2016, it continued to implement the strategy launched in previous years, particularly regarding the alignment of Research and Innovation activities with the Group's strategy and regarding project portfolio governance. This led to a positive momentum in performance indicators relating to the completion timelines of Research and Innovation projects and to the industrialization rate for resulting developments.

1.5.1.2 Three pillars of Research and Innovation

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

Research and Innovation carried out within VERI

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

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

In 2016, it was supported by six research and innovation centers, with the three main ones in Maisons-Laffitte, Limay and Saint-Maurice working together as a single research center, as well as test platforms and research pilots.

At international level, in 2016 Veolia had three specialized research centers: (i) in China, where Veolia has worked closely with the top -ranked Tsinghua University since 2010 to open a joint research center, (ii) in Poland since 2012 with the Heat Tech Center, in Warsaw, to establish a partnership of excellence for heating networks intended to reinforce the Group's position of reference in this area, and (iii) in Singapore since 2014 with a center of excellence for urban modeling.

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

"VIBE" a global internal innovation network

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

In 2015, Veolia launched its first internal global innovation challenge - "VIBE 2015" - to stimulate innovation within the Group. The three projects selected following this challenge, among over forty innovative projects presented, were completed in 2016. The resulting developments have entered the industrialization phase and are being rolled-out and integrated into commercial offerings.

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

Launched in 2010, Veolia's Open Innovation' aim is to accelerate and amplify the Group's innovation capability.

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

Following the revision and simplification of access to the dedicated VIA program on the www.veolia.com website in 2015, Veolia continued to develop regional Open Innovation initiatives in 2016 and launched several calls for external solutions.

Bolstered by these complementary pillars, Veolia's Research and Innovation activities involved nearly 850 experts around the world in 2016, including more than 330 within the Group's internal research and innovation structure. Veolia also called on more than 200 partners around the world, both academics recognized for their scientific excellence and industrial customers or municipalities at the forefront of their areas of activity.

1.5.1.3 Success and progress in 2016

In 2016, the research projects presented below enabled successes and progress consistent with the Group's strategic aims. They are excellent examples of Veolia's Research and Innovation at the cutting edge of technological advances, customer service and value creation.

Serving cities

Smart District Energy

Three complementary innovative decision support tools for the management of heating networks were completed in 2016:

- a decision support tool which forecasts the network load three days in advance, allowing the daily heating distribution and production planning to be optimized;
- software for urban heating network management, enabling the optimization of maintenance and therefore a reduction in heat loss and in the risk of breakage;
- a decision support tool for the online automated performance management and appraisal of urban heating sub-stations.

Mesep

A forecasting tool which estimates the life of boiler tubes in waste-to-energy installations, the development of which was completed in 2016. The tool consists of software and a methodology and seeks to help reduce losses resulting from hot water and pressurized steam leaks and the related costs. Boiler maintenance work can therefore be anticipated and programmed optimally.

Diagonline

Online heat exchanger fouling diagnostic tool that seeks to improve the performance of waste-to-energy installations. It calculates and presents increases in boiler fouling over time and alerts the operator based on pre-configured thresholds, allowing the maintenance manager to choose the methods best adapted to fighting fouling and the optimal timing for their implementation.

Spidflow™ Filter

Innovation combining air flotation and granular filtration within the same installation. This new process offers a reliable pre-treatment solution for hard to treat sea water that presents a risk of algae proliferation.

ANITA™Mox for the Mainstream

In 2016, R&I completed the development of a new version of this biological process based on Moving Bed Biofilm Reactor technology, which allows the treatment of carbon and nitrogen in municipal wastewater using more compact and energy efficient processes. This new version is part of the move to improve the ANITA™ Mox process and to extend it to new sectors.

Sirhyus

From 2012 to the end of 2015, project SIRHYUS sought to develop a service platform using satellite imaging of the Earth for the management of water resources at water body level.

The project involved six other partners - SMEs, academics and a major group - and led to the development of eight pioneering services, now operational, encompassing the qualitative and quantitative monitoring of groundwater, water basins and water bodies, presented during the 2016 Pollutec exhibition in Lyon.

DEMOWARE

The European research project DEMOWARE (DEMOnstration for a Competitive and Innovative European WAter REuse Sector), presented its work during the international event organized and presented by Vendée Eau and Veolia on "Making water an inexhaustible resource", bringing together major players in the water reuse sector in Europe. This project, focusing on the reuse of treated wastewater, offers an innovative approach to the integrated management of water resources for the production of drinking water.

Serving industry

SAPHIRA™

R&I developed two new solutions as part of new applications of this process. Firstly, a solution for a Zero Liquid Discharge application based on the innovative process TSAR (Trapping System for Antiscalant Removal), was tested in the field in China for several months. It will enable innovative recycling solutions to be proposed to industry for water with a high conversion rate, offering lower operating and equipment costs. The second solution - SAPHIRA™ SOFTENING - is a compact physicochemical reactor for the treatment of industrial wastewater with a high density of solids for the elimination of inorganic salts.

Coopere

In 2016, R&I finalized new software and new energy performance optimization methods for major industrial sites that can be used in many activity sectors.

HPW viewing system

New intelligent remote control and viewing technology, associated with high pressure water jet technology, for cleaning industrial tanks, ensures, in particular, the improved safety and efficiency of this process.

1.5.2 INTELLECTUAL PROPERTY

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

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

Innovation is a key factor in the growth and profitability of Veolia, combining the expertise and know-how of its businesses. Veolia capitalizes on its know-how primarily through the creation of technical, digital and IT tools that it seeks to protect using suitable methods. In Veolia's opinion, its business is not dependent on the existence or validity of one or more of these patents, or on any contract covering one or more intellectual property right(s).

1.5.3 PROPERTY, PLANT AND EQUIPMENT

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

The total gross value of Group non-current assets (excluding concession assets) as of December 31, 2016 was €27,260.2 million (net value of €12,688.5 million, or 33% of total consolidated assets), compared with €26,781.6 million as of December 31, 2015, represented (net value of €12,636.1 million, represented).

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

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

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

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

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

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

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

In addition, assets purchased under finance leases which fall into one of the three asset categories detailed above had a net value of €204 million as of December 31, 2016.

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 5.2.3 of this Registration Document.

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

1.6 Environmental regulation

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

1.6.1 CROSS-CUTTING REGULATIONS

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

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

In Europe

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In France

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

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

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

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

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

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

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

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

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

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

The Industrial Emissions Directive (IED) and the "Seveso 3" Directive were enacted into French law, particularly through the creation of two series in the ICPE classification:

- the 3000 series for IED activities;
- the 4000 series for Seveso 3 substances.

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

In the United States

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

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

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

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

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

In Australia

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

The 1999 Environment Protection and Biodiversity Conservation (EPBC) Act is the keystone of the Australian government's environmental legislation. It provides a legal framework protecting and controlling plants, wildlife and the environment in the widest sense, at national and international levels. Nonetheless, the most critical environmental regulations are administered at the 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 the federal level, is the keystone of legislation governing the treatment of water and wastewater. However, in terms of controls on the quality of water, it is the EPA in each state or territory that is responsible for enforcing water quality regulations. In New South Wales, for example, where the headquarters of the Waste business are located, the 1997 Protection of the Environment Operations (POEO) Act defines the legal framework for the management of water pollution and quality. It is supplemented by the 2009 Protection of the Environment Operations Regulation, which among other things, lays down certain points for the application of the water pollution definition.

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

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

In China

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

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

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

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

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

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

An amendment to China's Environmental Impact Assessment Law was passed at the beginning of July 2016 and came into effect on September 1, 2016. Penalties for violations of the law have been intensified and fines substantially increased so as to make violations of the law costly. Construction projects now could be charged 1% to 5% of their total investment, according to the degree of violation and damages.

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 respectively. Violations of the limits contained in the permit will be subject to penalties ranging from the shutdown of the offending facilities to criminal charges.

The Environmental Protection Tax Law was passed on December 25, 2016 by the Standing Committee of The National People's Congress of China. The Environmental Protection Tax Law will come into effect on January 1, 2018. 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 December 26, 2016, four Chinese Ministries issued the 13th Five-Year Development Plan for the Energy Conservation and Environmental Protection Industry, 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.

1.6.2 WATER REGULATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.6.3 WASTE REGULATION

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

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

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

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

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

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

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

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

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

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

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

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

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

1.6.4 ENERGY REGULATION

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

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

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

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

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

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

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

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

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

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

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

1.7 Main changes in the Group consolidation scope

The main changes in the consolidation scope and Group structure in 2016 are presented in Chapter 3, Sections 3.1.2 below.

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, 2016, Veolia Environnement's share capital was €2,816,824,115 divided into 563,364,823 fully paid-up shares, all of the same class, with a par value of €5 each (see Chapter 2, Section 2.1.6, below).

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

2.1.2 MARKET FOR THE COMPANY'S SHARES

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

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

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

Euronext Paris

	Share price *(in euros)*		
Year *(month)*	**High**	**Low**	**Trading volume**
2016			
December	16.235	15.215	66,733,273
November	19.995	16.075	82,489,307
October	20.500	19.230	32,973,458
September	20.975	19.070	50,236,422
August	20.605	19.065	27,598,041
July	20.070	18.665	32,896,354
June	20.710	18.010	49,380,965
May	20.965	19.090	41,038,046
April	21.730	20.385	35,330,991
March	21.365	20.135	43,797,328
February	22.670	19.890	44,206,775
January	21.195	20.330	43,984,984
2015			
December	22.860	20.900	42,545,212
November	22.980	21.045	36,555,797
October	21.630	19.420	49,072,174
September	20.795	18.755	52,494,973
August	21.225	17.825	51,760,618
July	20.660	17.785	50,174,366

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.

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

2.1.3 PURCHASE OF TREASURY SHARES BY THE COMPANY[1]

2.1.3.1 Repurchase plan in effect as of the date of filing of this Registration Document (plan authorized by the Combined General Meeting of April 21, 2016)

During the Combined General Meeting of April 21, 2016, the Company's shareholders authorized a share repurchase plan that allows the Company to purchase, sell or transfer its shares at any time, **except during a public offer**, within the limits authorized by provisions set forth by the law and regulations in force, and by any means, on regulated markets, on multilateral trading systems, with systematic internalizers or over the counter, including through block sales or purchases (with no limit on the proportion of the share repurchase plan that may be implemented by this method), by public offers to purchase or exchange shares, or through the use of options or other forward financial instruments traded on regulated markets, multilateral trading systems, with systematic internalizers or concluded over-the-counter or through delivery of shares following the issue of securities granting access to the Company's share capital through conversion, exchange, redemption, exercise of a warrant or otherwise. Transactions may be conducted either directly or indirectly through an investment services provider.

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

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

The Combined General Meeting of April 21, 2016 set the maximum share purchase price at €35 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 21, 2016, i.e., on October 21, 2017, 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 during the 2016 fiscal year

Percentage of the Company's share capital held as treasury shares as of December 31, 2016	2.67%
Number of treasury shares held as of December 31, 2016	15,064,835
Carrying value of the portfolio as of December 31,2016*	€445,396,780
Market value of the portfolio as of December 31, 2016**	€243,673,706
Number of shares cancelled over the last 24 months	0

* *Carrying value excluding provisions.*

** *Based on the closing price as of December 31, 2016 (€16.175).*

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.

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

The table below details transactions by the Company in treasury shares during fiscal year 2016 under the program authorized by the Combined General Meeting of April 21, 2016:

	Cumulative gross flows as of December 31, 2016		Open positions as of December 31, 2016			
	Purchases (1)	Sales/ Transfers (2)	Open buy positions		Open sell positions	
			Call options purchased	Forward purchases	Call options sold	Forward sales
Number of shares	9,271,117	8,004,257	None	None	None	None
Average transaction price *(in €)*	19.75	20.49	N/A	N/A	N/A	N/A
Average strike price *(in €)*	N/A	N/A	N/A	N/A	N/A	N/A
AMOUNT *(in euros)*	**186,261,148**	**164,940,170**	**N/A**	**N/A**	**N/A**	**N/A**

N/A: not applicable

(1) Purchases performed under the liquidity agreement.

(2) Sales performed under the liquidity agreement (7,911,117 shares), the Share Incentive Plan UK (88,110 shares) and the Management Incentive Plan (5,030 shares).

2.1.3.3 Objectives of transactions carried out in 2016 and allocation of the treasury shares held

As of December 31, 2016, Veolia Environnement held a total of 15,064,835 treasury shares, representing 2.67% of the Company's share capital. No shares were held directly or indirectly by subsidiaries of Veolia Environnement. On this date, the portfolio of treasury shares was allocated as follows:

- 5,315,776 shares were allocated to cover stock option programs or other share award programs to Group employees;
- 8,389,059 shares were allocated to external growth transactions;
- 1,360,000 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 20, 2017 for authorization

The share repurchase authorization described in Section 2.1.3.1 above will expire on October 21, 2017 at the latest, unless the Combined General Meeting of April 20, 2017 approves the resolution adopted in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code and set out below.

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

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

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

- Purchases of the Company's shares may relate to a number of shares such that:
  - the number of shares purchased by the Company throughout the term of the share repurchase plan, at any time whatsoever, does not exceed 10% of the shares comprising the Company's share capital (this percentage will apply to the share capital, as adjusted in light of transactions affecting it after this General Shareholders' Meeting), i.e. 56,336,482 shares as of the date of filing of this Registration Document, it being specified that (i) the number of shares purchased for retention and subsequent delivery as part of a merger, spin-off or contribution may not exceed 5% of the share capital; and (ii) when shares are bought to increase liquidity under the conditions defined by the AMF's General Regulations, the total number of shares taken into account for the calculation of the aforementioned limit of 10% is the number of shares bought, after deduction of the number of shares sold during the period of the authorization,
  - the number of shares that the Company holds at any given time whatsoever does not exceed 10% of the shares comprising the Company's share capital on the date in question,
- shares may be sold, bought or transferred at any time, within the limits authorized by the legal and regulatory provisions in force, but **not during a public offer, and by any method**, 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 €25 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 20, 2017 and not to future transactions concluded pursuant to an authorization granted by a previous General Shareholders' Meeting that provides for acquisitions of shares subsequent to the date of this meeting.

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

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

This authorization would, as from the date of the Combined General Meeting of April 20, 2017, cancel any as yet unused portion of any prior authorization granted to the Board of Directors to trade in the Company's shares. This authorization is granted for a period of eighteen months from the date of this Combined General Meeting.

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

2.1.4 AUTHORIZED BUT UNISSUED SHARES

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

Securities/transactions concerned	Term of authorization and expiry date	Upper limit on the use of the authorization *(in euros and/or as a percentage)*
Share repurchase program Except during a public offer period (Resolution 11)	18 months October 21, 2017	€35 per share, up to a limit of 54,956,684 shares and €1 billion; the Company may not hold more than 10% of its share capital
Issuances with preferential subscription rights (PSR)* Issuance of all types of securities (Resolution 12)	26 months June 21, 2018	€845 million (par value) representing approximately 30% of the share capital as of the date of the General Meeting (counting towards the overall maximum par value amount of €845 million (hereinafter, the "overall cap")
Issuances with no preferential subscription rights (PSR)* Issuance of all types of securities by public offer – mandatory priority subscription period (Resolution 13)	26 months June 21, 2018	€281 million (par value) representing approximately 10% of the share capital as of the date of the General Meeting (counting towards the overall cap)
Issuances with no preferential subscription rights (PSR)* Issuance of all types of securities, by way of private placement (Resolution 14)	26 months June 21, 2018	€281 million (par value) representing approximately 10% of the share capital as of the date of the General Meeting (counting towards the par value upper limit of €281 million for share capital increases without PSR and towards the overall cap)
Issuances of securities as payment for contributions in kind* (Resolution 15)	26 months June 21, 2018	10% of the share capital (counting towards the par value upper limit of €281 million for share capital increases without PSR and towards the overall cap)
Increase in the number of securities in the event of share capital increases with or without preferential subscription rights (green shoe option)* (Resolution 16)	26 months June 21, 2018	Extension by no more than 15% of a share capital increase performed with or without PSR (additional issuance counting towards the upper limit of the relevant resolution with or without PSR and towards the overall cap, and where applicable, towards the par value upper limit of €281 million for share capital increases without PSR)
Increase in share capital through the capitalization of premiums, reserves, profits or other items* (Resolution 17)	26 months June 21, 2018	€400 million (par value) representing approximately 14.2% of the share capital as of the date of the General Meeting (this par value maximum amount counting towards the overall cap)
Issuances reserved for members of employee savings plans with cancellation of preferential subscription rights* Share capital increase by issuing shares or securities granting access to the Company's share capital (Resolution 18)	26 months June 21, 2018	€56,336,482 (par value) representing approximately 2% of the share capital as of the date of the General Meeting (this amount counting towards the overall cap)
Issuances reserved for employees with cancellation of preferential subscription rights */** Share capital increase reserved for a category of beneficiaries (Resolution 19)	18 months October 21, 2017	€5,633,648 (par value) representing approximately 0.2% of the share capital as of the date of the General Meeting (this amount counting towards the overall cap)
Authorization granted to the Board of Directors to issue free shares, existing or to be issued, to employees and corporate officers of the Company, with waiver by shareholders of their preferential subscription rights (Resolution 20)	18 months October 21, 2017	0.5% of the share capital as of the date of the General Meeting, subject to the following sub-ceilings: (1) 0.3% of the share capital for performance shares granted to corporate officers of the Company and certain employees of the Company or the Group and (2) 0.2% for free shares, not subject to performance conditions, granted to all employees of the Company and French Group companies
Cancellation of treasury shares (Resolution 21)	26 months June 21, 2018	10% of the share capital within any 24-month period

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

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

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

2.1.4.2 Authorizations proposed to the Combined General Meeting of April 20, 2017

Securities/transactions concerned	Term of authorization and expiry date	Upper limit on the use of the authorization *(in euros and/or as a percentage)*
Share repurchase program Except during a public offer period (Resolution 12)	18 months October 20, 2018	€25 per share, up to a limit of 56,336,482 shares and €1 billion; the Company may not hold more than 10% of its share capital

2.1.5 OTHER SECURITIES GRANTING ACCESS TO THE SHARE CAPITAL

Potential dilutive effect of stock options and share subscription warrants

On September 28, 2010, the Company granted 2,462,800 share subscription options to Group executives and employees (Plan No. 8). The exercise of these options was subject to a performance condition that was not attained. As of December 31, 2016, 2,127,400 share subscription options remain outstanding. Accordingly, except in the event of a public offer for the Company's shares, these outstanding share subscription options as of December 31, 2016 are not exercisable and do not generate any potential dilution (see Chapter 7, Section 7.4.3.1 below).

2.1.6 CHANGES IN SHARE CAPITAL OVER THE LAST FIVE YEARS

The table below shows the changes in the Veolia Environnement share capital since the start of fiscal year 2012:

Meeting date	Transaction	Number of shares issued	Par value of the shares *(in euros)*	Par value amount of the share capital increase *(in euros)*	Issue or contribution premiums *(in euros)*	Total share capital	Total number of shares
05/16/2012 (recorded by the Chairman and Chief Executive Officer on 06/14/2012)	Share capital increase resulting from the payment of scrip dividends	2,433,889	5	12,169,445	12,047,750.55	2,610,434,245	522,086,849
05/14/2013 (recorded by the Chairman and Chief Executive Officer on 06/12/2013)	Share capital increase resulting from the payment of scrip dividends	26,788,859	5	133,944,295	94,028,895.09	2,744,378,540	548,875,708
04/24/2014 (recorded by the Chairman and Chief Executive Officer on 05/26/2014)	Share capital increase resulting from the payment of scrip dividends	13,426,093	5	67,130,465	107,543,004.93	2,811,509,005	562,301,801
04/24/2014 (recorded by the Chairman and Chief Executive Officer on 12/17/2015)	Share capital increase reserved for employees (Group savings plan)	1,063,022	5	5,315,110	12,288,534.32	2,816,824,115	563,364,823

2.1.7 NON-EQUITY SECURITIES

EMTN program

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

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

The main outstanding bond issues performed under the EMTN program as of December 31, 2016 are as follows:

Issue date	Currency	Nominal issue amount *(in millions of currency units)*	Additional drawdowns/ partial repurchases	Nominal amount outstanding as of Dec. 31, 2016 *(in millions of currency units)*	Interest rate	Maturity
May 28, 2003	EUR	750				
March 2012	EUR		(130)			
June 2013	EUR		(129)			
December 2013	EUR		(19)	472	5.375 %	May 28, 2018
November 25, 2003	EUR	700		700	6.125 %	November 25, 2033
December 12, 2005	EUR	600				
June 2013	EUR		(109)			
December 2013	EUR		(60)	431	4.375 %	December 11, 2020
November 24, 2006	EUR	1,000				
March 14, 2008	EUR		140			
March 2012	EUR		(140)			
December 2012	EUR		(256)			
June 2013	EUR		(86)			
December 2013	EUR		(42)			
November 2014	EUR		(10)	606	4.375 %	January 16, 2017
May 24, 2007	EUR	1,000				
December 2013	EUR		(150)			
April 2015	EUR		(205)	645	5.125 %	May 24, 2022
October 29, 2007	GBP	500				
January 7, 2008	GBP		150	650	6.125 %	October 29, 2037
April 24, 2009	EUR	750				
November 2014	EUR		(175)			
April 2015	EUR		(113)	462	6.75 %	April 24, 2019
June 29, 2009	EUR	250		250	5.70 %	June 29, 2017
July 6, 2010	EUR	834				
April 2015	EUR		(196)	638	4.247 %	January 6, 2021
March 30, 2012	EUR	750		750	4.625 %	March 30, 2027
June 28, 2012	CNY	500		500	4.50 %	June 28, 2017
April 9, 2015	EUR	500		500	1.59 %	January 10, 2028
November 19, 2015	EUR	350		350	Euribor 3 months +0.25%	May 19, 2017
October 4, 2016	EUR	600		600	0.314%	October 4, 2023
October 4, 2016	EUR	500		500	0.927%	January 4, 2029

As of December 31, 2016, the nominal amount outstanding under the EMTN program totaled €7,731 million, €6,457 million of which will mature 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 €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, 2016, the nominal outstanding amount totaled €700 million, all of which will mature in more than one year.

Public issue on the US market

On May 28, 2008, Veolia Environnement performed a triple-tranche bond issue registered with the US Securities and Exchange Commission for an amount of US$ 1.8 billion, paying fixed-rate interest. The first tranche of the issue paid interest of 5.25% and matured on June 3, 2013. On December 19, 2014, Veolia Environnement redeemed in advance 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, 2016, the nominal outstanding amount totaled US$ 400 million (€379 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 program to issue bonds on the Chinese domestic market for a period of two years and for a maximum 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 international investors. The bond issue matures on September 2, 2019 and pays interest of 3.5%.

As of December 31, 2016, the nominal outstanding amount totaled one billion renminbi (€136 million euro-equivalent), maturing in more than one year.

Commercial paper

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

As of December 31, 2016, the outstanding amount of commercial paper issued by the Company totaled €2,765 million.

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

2.2 Veolia Environnement shareholders AFR

2.2.1 SHAREHOLDERS AS OF DECEMBER 31, 2016

The table below shows the number of shares and the corresponding percentages of share capital and voting rights held as of December 31, 2016 by Veolia Environnement's principal known shareholders.

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.

Shareholders as of December 31, 2016	Number of shares	Percentage of share capital	Theoretical number of voting rights	Number of voting rights that may be exercised	Percentage of voting rights**
Caisse des dépôts [(1)]	26,036,119 [(5)]	4.62	52,072,238	52,072,238	8.58
Groupe Industriel Marcel Dassault – GIMD [(2)]	25,788,732 [(5)]	4.58	51,577,464	51,577,464	8.50
Velo Investissement (Qatari Diar) [(3)]	26,107,208	4.63	26,107,208	26,107,208	4.30
Veolia Environnement [(4)]	15,064,835	2.67	15,064,835	0*	0*
Public and other investors	470,367,929	83.50	477,319,506	477,319,506	78.62
TOTAL	563,364,823	100.00	622,141,251	607,076,416	100.00

* *As of December 31, 2016, Veolia Environnement held 15,064,835 treasury shares.*

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

(1) *According to the statement of registered shareholders as of December 31, 2016 prepared by Société Générale (the account manager), and according to the analysis of the Company's shareholders as of December 31, 2016. 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). In a press release published on September 23, 2016, Caisse des dépôts et consignations announced it had sold 22,534,593 of the Company's shares by way of a private placement through an accelerated book-building to institutional investors.*

(2) *According to the statement of registered shareholders as of December 31, 2016 prepared by Société Générale and according to the analysis of the Company's shareholders as of December 31, 2016. To the best of the Company's knowledge, the most recent declaration of threshold crossing by Groupe Industriel Marcel Dassault (GIMD) was filed on April 7, 2016 (AMF Decision and Information no. 216C0882 of April 13, 2016).*

(3) *According to the analysis of the Company's shareholders as of December 31, 2016. To the best of the Company's knowledge, the most recent declaration of threshold crossing by Velo Investissement (Qatari Diar) was filed on April 15, 2010 (AMF Decision and Information No. 210C0335 dated April 16, 2010).*

(4) *Treasury shares without voting rights. This information is included in the monthly report of transactions carried out by Veolia Environnement in its own shares that was filed with the French Financial Markets Authority (AMF) on January 9, 2017.*

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

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

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

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

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

	Position as of December 31, 2016			Position as of December 31, 2015			Position as of December 31, 2014		
Shareholder	Number of shares	Percentage of share capital	Percentage of voting rights that may be exercised**	Number of shares	Percentage of share capital	Percentage of voting rights that may be exercised**	Number of shares	Percentage of share capital	Percentage of voting rights that may be exercised**
Caisse des dépôts	26,036,119	4.62	8.58	48,570,712	8.62	8.84	48,570,712	8.64	8.86
Groupe Industriel Marcel Dassault – GIMD	25,788,732	4.58	8.50	26,788,732	4.75	4.87	32,088,732	5.71	5.85
Groupe Groupama***	340,982	0.06	0.06	822,347	0.15	0.15	29,455,011	5.24	5.37
Velo Investissement (Qatari Diar)	26,107,208	4.63	4.30	26,107,208	4.63	4.75	26,107,208	4.64	4.76

* *Figures are taken from the 2016, 2015 and 2014 Registration Documents.*

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

*** *According to the analysis of the Company's shareholders as of December 31, 2016. In a press release published on March 3, 2015, the Groupama group announced it had sold 28,396,241 of the Company's shares. Following this disposal, Groupama declared on March 5, 2015 that it held through Groupama SA, Gan Assurances and the regional banks, 0.15% of the share capital and voting rights of the Company, i.e. 823,779 shares.*

2.3 Dividend policy

2.3.1 DIVIDENDS PAID DURING THE LAST FIVE FISCAL YEARS

(in euros)	2011 Dividend	2012 Dividend	2013 Dividend	2014 Dividend	2015 Dividend
Gross dividend per share	0.70	0.70	0.70	0.70	0.73
Net dividend per share	0.70*	0.70*	0.70*	0.70*	0.73*
TOTAL DIVIDEND DISTRIBUTION	353,790,523	355,494,245	374,246,447	383,952,678	401,183,799

* *The dividend is eligible for the 40% tax rebate.*

A dividend payment of €0.73 per share for each of the Company's outstanding shares carrying dividend rights as of January 1, 2016 was approved by the Combined General Meeting of April 21, 2016. The ex-dividend date was set at May 2, 2016 and the dividend was paid from May 4, 2016. As of December 31, 2015, the share capital comprised 563,364,823 shares, including 13,797,975 treasury shares. The total dividend distribution was adjusted to take account of the number of treasury shares held by Veolia Environnement at the payment date.

A dividend of €0.80 per share for 2016, payable in cash, will be proposed to the General Meeting of April 20, 2017. The ex-dividend date has been set at April 24, 2017 and the 2016 dividend will be paid from April 26, 2017.

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

As such, a mandatory levy of 21% will be deducted from dividends paid in 2017 as a payment on account of income tax due in 2018 on 2017 income. However, taxpayers whose reference taxable income is less than €50,000 for a single person and €75,000 for couples may request exemption from payment of this levy.

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

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

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

2.3.2 DIVIDEND POLICY

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

2.3.3 PERIOD DURING WHICH DIVIDEND PAYMENTS MUST BE CLAIMED

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

3

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 2016 events

3.1.1 GENERAL CONTEXT

The Group's performance for the year ended December 31, 2016 was marked by nearly stable revenue and results that exceeded the objectives:

- Revenue of €24,390 million, down -0.4% at constant exchange rates. Excluding the impact of Construction activities and energy prices, revenue increased +2.0% at constant exchange rates. Organic growth resumed in the 4th quarter with revenue rising +1.9% at constant exchange rates and +3.4% excluding Construction and the impact of energy prices;
- Cost reductions that surpassed expectations in 2016: €245 million in savings achieved in 2016;
- EBITDA[(1)] of €3,056 million, up 4.3% at constant exchange rates;
- Current EBIT [1] of €1,384 million, up 8.5% at constant exchange rates;
- Current net income, Group share[(1)] of €610 million (+10.8% constant exchange rates), and €597 million excluding net capital gains and losses on financial divestitures, up 19.3% constant exchange rates, compared to 2015;
- Net income, Group share[(1)] of €382 million (versus €450 million in 2015), and a Net income, Group share including IFRIC 12 of €383 million (versus €438 million in 2015);
- Post-tax ROCE[(1)] continued to improve to 7.2% (versus 6.8% in 2015, and 2014 proforma of 5.5%);
- Net free cash flow of €970 million, versus a target of more than €650 million, thanks to a significant reduction in operating working capital requirements in the 4th quarter and despite €133 million in restructuring and other non-current charges;
- Net financial debt of €7,811 million, down by €359 million including a €279 million positive exchange rate impact, compared to December 31, 2015 (€8,170 million); The Group leverage ratio therefore stood at 2.56x (compared to 2.73x as of December 31, 2015).

3.1.2 CHANGES IN GROUP STRUCTURE

Fiscal 2016 was marked by strong commercial and development momentum for the Group, reflected in targeted acquisitions and large promising contracts.

Acquisitions

Acquisition of Chemours' Sulfur Product assets in the United States

In July 2016, Veolia Environnement finalized the acquisition of Chemours' sulfur products assets in the US. The transaction consisted of an asset purchase for a consideration of €289.0 million.

This division specializes in the treatment and regeneration of sulfuric acid and sulfur gas produced during the refining process, which are regenerated into clean acid and steam used in a wide range of industrial activities. The transaction offers an excellent complement to Veolia Environnement's existing activities and allows it to reinforce its recovery and regeneration expertise and therefore, circular economy, capabilities and technologies.

Kurion

On March 31, 2016, Veolia Environnement finalized the acquisition of the entire share capital of the US company, Kurion. The transaction was closed for a total consideration of €316.7 million, comprising a cash payment of €274.4 million and deferred payments of €42.3 million.

With the integration of Kurion, Veolia will now be able to provide all existing solutions and know-how in both nuclear facility clean-up and the treatment of low and medium-level radioactive waste. These new activities further enhance the Group's expertise in the treatment of hazardous waste.

Pedreira

On May 31, 2016, the CDR Pedreira landfill site in Brazil was acquired for a consideration of €65 million. This transaction is integral to the Group's business development strategy in Latin America.

Prague Left Bank

On June 1, 2016, Veolia completed the acquisition of Prazska Teplarenska LPZ which owns and operates thermal plants and heating networks in two districts located on the Prague left bank, for a consideration value of €82 million for 100%.

(1) Excluding impacts related to IFRIC 12 interpretation.

Divestitures

Transdev Group

On December 21, 2016, the Group and the Caisse des dépôts et consignations finalized their agreements for the shareholder reorganization of Transdev Group and Veolia's withdrawal. The agreements called for:

- an initial and immediate sale of the Group's interest of 20% of Transdev at a price of €220 million;
- sale of the remaining interest (30%) within a maximum period of two years, the Group undertaking to find a third-party acquirer during this period.

These operations will be performed at a price based on the initial valuation of €550 million for 50% of the share capital, and revised, as appropriate, depending on mechanisms of adjustment provided in the agreements.

As of December 31, 2016, the initial sale generated a disposal gain of €25.6 million and a debt reduction of €220 million, recognized in the Group consolidated financial statements.

On March 30, 2016, following external refinancing, Transdev Group repaid in full the shareholder loan granted by Veolia in the amount of €345 million.

These transactions in total reduced Net financial debt by €565 million.

See Note 3.3 to the consolidated financial statements for the year ended December 31, 2016.

Termination of the SADE divestiture process

Bartin Recycling

On July 20, 2016, the Group signed an agreement to sell Bartin Recycling. This transaction was finalized on November 30, 2016.

Veolia's end-of-life material dismantling and deconstruction business (aircraft, ships, rail rolling stock and industrial facilities) is not concerned by this divestment.

Main contract awards

Veolia had numerous commercial successes in 2016. Among the most significant were:

- **In the municipal sector,** the signing of a new contract for the Hertfordshire PFI in the UK (30-year term and a total value of £1 billion), a lease for water and wastewater treatment services throughout Armenia (€800 million contract over 15 years), extension of the management and operating agreement for wastewater collection and treatment facilities in Milwaukee in the US ($500 million over 10 years), the construction and operation of a waste-to-energy plant in the Troyes region of France (expected cumulative revenue of €240 million over 25 years), and renewal of the Camden collection and recycling contract (expected cumulative revenue of £169 million over 8 years);
- **In the industrial sector,** Veolia has been awarded the significant water treatment contract award in China for Yanshan Petrochemicals, a subsidiary of SINOPEC (for a duration of 25 years and expected cumulative revenue of around €3 billion). During the year, Veolia bolstered its positioning in the industrial services market with the acquisition of Nuon Energie und Service GmbH, which owns and operates two industrial park facilities in Germany, and the contract win to operate a combined heat and electricity production plant in Porvoo, Finland.

3.1.3 GROUP FINANCING

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

On March 8, 2016, Veolia Environnement completed an offering of bonds convertible into 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, for a nominal amount of €700 million.

The bonds will not bear interest and the issue price was set at 102.75% of par, corresponding to a negative actuarial yield to maturity of -0.54%. The nominal unit strike price of these bonds was set at €29.99 representing a premium of 47.50% above the Company's reference share price on the issue date.

See Note 8.1.1 to the consolidated financial statements for the year ended December 31, 2016.

Issuance of a panda bond

On September 1, 2016, Veolia Environnement successfully issued a bond for a nominal amount of 1 billion Renminbis (i.e. €135 million) on the Chinese domestic market ("Panda Bond").

This is the first time a French issuer has tapped the Chinese domestic market. The bond was issued via a private placement, and bears an interest rate of 3.5% for a 3 year maturity. It was issued to Chinese and international investors.

The pricing which was achieved is a signal of the significant appreciation of Veolia's credit quality, and investors' confidence in the Group's future development in China.

The proceeds of this bond will be used to refinance debt related to investments that the Group has made in China. This operation secures and optimizes the funding of the Group in Renminbi.

Issuance of two bonds for €1.1 billion

On October 4, 2016, Veolia successfully issued 2 bonds for €1.1 billion. This issuance includes a €600 million bond maturing in October 2023 (7-year maturity) bearing a coupon of 0.314% and a €500 million bond maturing in January 2029 (long 12-year maturity) bearing a coupon of 0.927%. Both were issued at par.

The bonds were distributed towards a large investor base covering both Europe and Asia. Profiting from extremely favorable interest rate and credit markets, the bonds were issued at the lowest coupon in Veolia's history for this type of product.

The proceeds of this issuance will be used for general corporate purposes, and to partially refinance upcoming debt maturities.

Changes in bonds outstanding

On February 12, 2016, Veolia Environnement repaid the 2016 euro-denominated bond line with a nominal value of €382 million.

Confirmation of the credit outlook

In May and June 2016, S&P and Moody's confirmed Veolia's credit rating as A-2/BBB with a stable outlook and P-2 / Baa1 also with a stable outlook, respectively.

Dividend payment

The Combined General Meeting of April 21, 2016 set the dividend for fiscal 2015 at €0.73 per share. This dividend was paid in cash beginning May 4, 2016 in the total amount of €401 million.

3.1.4 CHANGES IN GOVERNANCE

Combined Shareholders' Meeting, April 21, 2016

The Combined Shareholders' Meeting of Veolia Environnement took place at the Maison de la Mutualité in Paris on Thursday, April 21, 2016, chaired by Mr. Antoine Frérot, Chairman and Chief Executive Officer of the Company. At the Meeting, shareholders approved all the resolutions on the agenda.

In particular, shareholders:

- approved the Company and consolidated financial statements for fiscal year 2015;
- set the cash dividend for fiscal year 2015 at €0.73 per share. The dividend was paid from May 4, 2016;
- renewed the terms of office of Mr. Jacques Aschenbroich and Mrs. Nathalie Rachou and appointed Mrs. Isabelle Courville and Mr. Guillaume Texier, as directors for a four-year term expiring at the end of the shareholders' meeting convened to approve the financial statements for the year ended December 31, 2019;
- issued a favorable opinion on the compensation due or awarded for fiscal year 2015 and expected 2016 compensation for Mr. Antoine Frérot, the Company's Chairman and Chief Executive Officer;
- renewed all financial authorizations granted to the Board of Directors;
- authorized the Board of Directors to grant free and performance shares to employees of the Group and corporate officers of the Company.

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

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

The four Board Committees are now comprised as follows:

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

3.2 Accounting and financial information

3.2.1 PREFACE

To enhance the presentation of its operating performance and improve comparability with other sector companies, the Group uses alternative performance measures to communicate the Group’s financial results: EBITDA, Current EBIT, current net income, net free cash flow, net financial debt, industrial investments, and return on capital employed (ROCE).

These indicators are defined in the Appendices to this Operating and Financial Review (see Section 3.8.3).

They are also reconciled with the financial indicators utilized in the financial statements:

- see Section 3.8.1 for a reconciliation of EBITDA with Operating cash flow before changes in working capital, a reconciliation of net free cash flow with Net cash from operating activities of continuing operations (included in the consolidated cash flow statement), and a reconciliation of industrial investments with industrial investments, net of grants (included in the consolidated cash flow statement);
- refer to Section 3.2.4.6 for a reconciliation of Current EBIT with Operating income as presented in the consolidated income statement, and a reconciliation of Current Net income with Net income as presented in the consolidated income statement;
- refer to Section 3.3.5.1 for the structure of net financial debt from the Consolidated Statement of Financial Position.

3.2.2 KEY FIGURES

(in € million)	December 31, 2015 Including IFRIC 12	December 31, 2016 Including IFRIC 12	Δ	Δ at constant exchange rates
Revenue	24,964.8	24,390.2	-2.3%	-0.4%
EBITDA	3,182.6	3,258.4	+2.4%	+4.6%
EBITDA margin	*12.7%*	*13.4%*		
Current EBIT (1)	1,393.3	1,476.5	+6.0%	+9.1%
Current Net income – Group share	567.6	610.7	+7.6%	+12.8%
Current net income – Group share, excluding capital gains and losses on financial divestitures net of tax	515.1	597.9	+16.2%	+21.7%
Net income – Group share	437.7	383.1		
Current net income - Group share - per share (basic) (2)	1.03	1.11		
Current net income - Group share - per share (diluted) (2)	1.03	1.07		
Dividend per share	0.73	0.80 (3)		
Industrial capex	1,576	1,597		
Net free cash flow (2)	856	970		
Net financial debt	8,170	7,811		

(1) Including the share of current net income of joint ventures and associates viewed as core Company activities.

(2) See definition in Section 3.8.3.

(3) Subject to the approval of the General Shareholders' Meeting of April 20, 2017.

3.2.2.1 Change in concession standards

Under concession contracts with local authorities, infrastructure is accounted, as appropriate, as an intangible asset, a financial receivable, or a combination of the two. Veolia may have a payment obligation vis-a-vis the grantor to utilize the associated assets.

In July 2016, IFRIC published a verdict regarding these payments and concluded that in the case of fixed payments required by the operator, an asset and a liability should be recorded (intangible model).

Veolia identified the contracts concerned and will apply the new IFRIC 12 measures retroactive to January 1, 2015. The most significant contracts concerned are our water concessions in the Czech Republic and Slovakia.

Reconciliation of 2015 and 2016 figures excluding and including impacts of the adoption of the IFRIC 12 interpretation

(in € million)	December 31, 2016, excluding IFRIC 12	IFRIC 12 impacts	December 31, 2016, including IFRIC 12
Revenue	24,390.2	-	24,390.2
EBITDA	3,056.0	202.4	3,258.4
Current EBIT	1,383.9	92.6	1,476.5
Current financial expenses	(453.6)	(90.3)	(543.9)
Net income – Group share	382.2	0.9	383.1
Current Net income – Group share	609.8	0.9	610.7
Industrial capex	1,485	112	1,597
Net Free cash flow	970	-	970
Net financial debt	7,811	-	7,811
Post-tax ROCE	7.2%		7.4%

(in € million)	December 31, 2015, excluding IFRIC 12	IFRIC 12 impacts	December 31, 2015, including IFRIC 12
Revenue	24,964.8	-	24,964.8
EBITDA	2,997.2	185.4	3,182.6
Current EBIT	1,315.2	78.1	1,393.3
Current financial income and expenses	(418.0)	(94.1)	(512.1)
Net income – Group share	450.2	(12.5)	437.7
Current Net income – Group share	580.1	(12.5)	567.6
Industrial capex	1,484	91	1,576
Net Free cash flow	856	-	856
Net financial debt	8,170	-	8,170
Post-tax ROCE	6.8%		7.0%

Revenue, net free cash flow and net financial debt are not impacted by the adoption of the IFRIC 12 interpretation.

3.2.2.2 Key figures excluding impacts relating to IFRIC 12

The data for the year ended December 31, 2016, presented in this Operating and Financial Review do not include the impact of the re-presentations relating to the adoption of the IFRIC 12 interpretation.

However, the latter are shown in the previously presented tables and in the appendix (see Section 3.8.2)

(in € million)	Year ended December 31, 2015 excluding IFRIC 12	Year ended December 31, 2016 excluding IFRIC 12	Δ	Δ at constant exchange rates
Revenue	24,964.8	24,390.2	-2.3%	-0.4%
EBITDA	2,997.2	3,056.0	+2.0%	+4.3%
EBITDA margin	*12.0%*	*12.5%*		
Current EBIT (1)	1,315.2	1,383.9	+5.2%	+8.5%
Current Net income – Group share	580.1	609.8	+5.1%	+10.8%
Current net income – Group share, excluding capital gains and losses on financial divestitures net of tax	527.6	597.0	+13.2%	+19.3%
Net income – Group share	450.2	382.2		
Current net income - Group share - per share (basic) (2)	1.06	1.11		
Current net income - Group share - per share (diluted) (2)	1.06	1.07		
Dividend per share	0.73	0.80 (3)		
Industrial capex	1,484	1,485		
Net Free cash flow (2)	856	970		
Net financial debt	8,170	7,811		

(1) Including the share of current net income of joint ventures and associates viewed as core Company activities.

(2) See definition in Section 3.8.3.

(3) Subject to the approval of the General Shareholders' Meeting of April 20, 2017.

The main foreign exchange impacts were as follows:

Foreign exchange impacts as of December 31, 2016, excluding IFRIC 12 *(vs. December 31, 2015)*	%	€M
Revenue	-1.9%	(473)
EBITDA	-2.4%	(71)
Current EBIT	-3.3%	(44)
Current net income	-5.7%	(33)
Net financial debt	+3.4%	+279

Group consolidated revenue[1]

Group consolidated revenue stood at €24,390.2 million for the year ended December 31, 2016, compared to €24,964.8 million for the year ended December 31, 2015, a decrease of -0.4% at constant exchange rates. Excluding Construction revenue[2] and the impact of lower energy prices, revenue increased +2.0% at constant exchange rates.

Revenue posted an upturn of +1.9% at constant exchange rates in the 4th quarter (after -2.1% in the 1st quarter, +0.1% in the 2nd quarter, and -1.7% in the 3rd quarter at constant exchange rates), reflecting the Group's return to growth. Excluding Construction and the impact of energy prices, 4th quarter revenue rose by +3.4% at constant exchange rates (compared to +1.2% in the 1st quarter, +1.9% in the 2nd quarter, and +1.6% in the 3rd quarter).

The municipal sector[3] generated 55% of 2016 revenue (i.e. around €13 billion), and the industrial sector[3] generated 45% (i.e. around €11 billion).

By segment, the change in revenue compared to the year ended December 31, 2015 breaks down as follows:

			2015 / 2016 change	
(in € million)	**Year ended December 31, 2015 excluding IFRIC 12**	**Year ended December 31, 2016 excluding IFRIC 12**	**Δ**	**Δ at constant exchange rates**
France	5,471.5	5,417.7	-1.0%	-1.0%
Europe excluding France	8,574.7	8,286.3	-3.4%	+0.1%
Rest of the World	5,926.1	6,028.4	+1.7%	+3.7%
Global Businesses	4,881.0	4,626.2	-5.2%	-4.1%
Other	111.5	31.6	-	-
Group Revenue	**24,964.8**	**24,390.2**	**-2.3%**	**-0.4%**

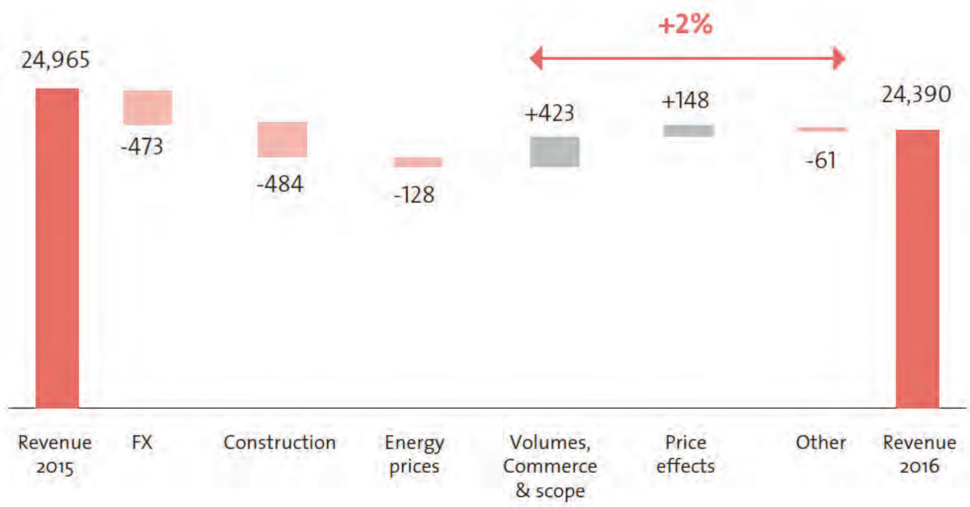
- Revenue is down slightly in **France** (-1.0%):
  - the Water business reported stable revenue thanks to positive commercial impacts (Lille contract), despite lower volumes sold (-1.5%) and continuing weak tariff indexation (+0.2%),
  - Waste business revenue was down by -2.4%: commercial successes and the solid level of incineration activities and landfill volumes were offset by a drop in municipal collection volumes of -10.3% and a decrease in scrap metal prices and volumes (the sale of Bartin Recycling was finalized on November 30, 2016).
- **Europe excluding France** was up slightly by +0.1% at constant exchange rates, but rose by +1.5% in the 4th quarter (after -0.4% for the nine months period ended September 30, 2016).
  - in the UK, revenue of €2,044 million was down -1.4% at constant exchange rates following the end of construction of the Leeds incinerator, but up +2.1% excluding Construction,
  - revenue rose in Germany to €1,702 million (+2.2% at constant exchange rates), thanks to Waste growth of 6.1% (new contracts and higher paper prices), mitigated by a 3.5% decline in Energy (in line with weather impacts and lower prices in the 1st quarter),
  - in Central and Eastern Europe, revenue was stable at constant exchange rates at €2,842 million. The negative impact in the 1st quarter of lower energy prices was partially offset by a positive weather effect (+€61 million), the start-up of biomass cogeneration in Hungary, and solid volumes invoiced in the Water business (+1.3%), especially in the Czech Republic.
- Revenue growth of +3.7% at constant exchange rates for the **Rest of the World**, with a clear 4th quarter improvement of +9.1% at constant exchange rates, following +1.9% for the nine months period ended September 30, 2016:
  - in North America, revenue rose +0.6% at constant exchange rates to €1,892 million. The negative impact of weather and lower gas prices in the first quarter and a drop in industrial services activity were more than offset by the consolidation of the Chemours Sulfur Products division's assets in the second half (+€109 million),
  - significant growth in Asia (+6.3% at constant exchange rates), particularly in China (+14.8% at constant exchange rates) thanks to the consolidation of Sinopec (+€56 million), and growth in energy services,
  - strong revenue growth in Latin America (+12.9% at constant exchange rates), and Africa/Middle East (+6.8% at constant exchange rates),
  - Australia was down by-3.1% at constant exchange rates, penalized by a decrease in industrial services,
- **Global Businesses:** revenue fell -4.1% at constant exchange rates, but by -1.1% in the 4th quarter at constant exchange rates (after -5.2% for the nine months period ended September 30, 2016). The fall in Global Businesses revenue is related to the gradual downsizing of Veolia Water Technologies, offset by good 4th quarter performance for SADE and continuing growth for hazardous waste activities.

(1) Excluding impacts related to IFRIC 12 interpretation.

(2) Construction activities concern the Group's engineering and construction businesses (mainly Veolia Water Technologies and SADE), as well as construction completed as part of operating contracts.

(3) See definition in Section 3.8.3.

The change in revenue between 2015 and 2016 breaks down **by main impact** as follows:



The foreign exchange impact on revenue amounted to -€473.2 million (-1.9% of revenue) and mainly reflects fluctuations in the value of the euro against the U.K. pound sterling (-€275.8 million), the Argentine peso (-€90.6 million), the Japanese yen (+€43.9 million), the Polish zloty (-€38.9 million), the Mexican peso (-€27.3 million), and the Chinese renminbi (-€29.2 million).

The decrease in **Construction** revenue (-€484 million, representing -1.9% of Group revenue) essentially concerns Veolia Water Technologies and SADE for -€345 million, as well as the completion of construction work on the Leeds and Shropshire PFI incinerators in the United Kingdom (-€80 million).

Group revenue was affected by the decline in **energy prices** (-0.5%), primarily in the United States and in Central Europe.

The positive business momentum (**Commerce/Volumes and scope impact**) of +€423 million was due to:

- an increase in volumes, in line with the solid growth of the Waste business in the UK and Germany, as well as good performance in Energy in China, Africa and the Middle East, and Hazardous Waste. These positive effects were partially offset by a decrease in Water volumes in France (-€23 million) and a downturn in industrial services in North America and Australia;
- a favorable weather impact in Central Europe (+€61 million) , but a negative impact in the United States (-€23 million);
- solid commercial momentum with contract wins in Waste in Germany and the UK, and the integration of the water cycle optimization contract for a petrochemical complex in China (Sinopec, for +€56 million over 7 months), as well as the commissioning of new assets (particularly the Leeds incinerator in the UK);
- changes in consolidation scope (+€207 million), and in particular the integration of the assets of the Chemours Sulfur Products division in July 2016 (€109 million over 6 months), the CDR Pedreira landfill site in Brazil in May 2016, Kurion in the US, Prague Left Bank in the Czech Republic, and operations carried out in 2015 (particularly the acquisition of Altergis in Energy in France, and an entity specializing in plastics recycling in the Netherlands, AKG).

Favorable **price effects** were the result of tariff indexations that remain positive, although moderate, and the favorable price impact from recycled materials (+€15 million, particularly paper).

EBITDA[1]

In 2016, the Group's consolidated EBITDA amounted to €3,056.0 million, an increase of 4.3% at constant exchange rates compared to 2015, generating an improvement in the EBITDA margin (12.5% in 2016, compared to 12.0% in 2015).

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

(in € million)	Year ended December 31, 2015 excluding IFRIC 12	Year ended December 31, 2016 excluding IFRIC 12	2015 / 2016 change Δ	2015 / 2016 change Δ at constant exchange rates
France	816.4	750.6	-8.1%	-8.1%
Europe excluding France	1,104.1	1,159.6	+5.0%	+9.1%
Rest of the World	805.0	861.5	+7.0%	+10.0%
Global Businesses	225.8	262.7	+16.4%	+17.5%
Other	45.9	21.6	-	-
EBITDA	**2,997.2**	**3,056.0**	**+2.0%**	**+4.3%**
EBITDA margin	***12.0%***	***12.5%***		

EBITDA declined in **France**:

- in the Water business, despite cost savings, EBITDA was penalized by a -1.5% drop in volumes (impact of -€20 million), the negative impact of the price/cost squeeze (-€26 million), relating to very weak tariff indexations (+0.2%), and the negative effect of contractual renegotiations (-€31 million);
- in the Waste business, EBITDA was also down despite cost savings, due to negative price effects and non-recurring items in 2015;
- **in Europe excluding France**, solid growth in EBITDA and particularly:
  - in Central and Eastern Europe, thanks to cost savings efforts and a favorable weather impact (+€23 million),
  - In the UK, thanks to efficiency plans, PFI contracts, and the favorable impact of recycled materials (higher paper prices),
  - In Germany, in line with solid activity in Waste, efficiency gains, and the payment of an insurance claim;
- Ongoing growth in the **Rest of the World** segment:
  - In the US, EBITDA rose by +8.7% at constant exchange rates. In the Industrial sector, the decline in the industrial services activity (specifically with Oil & Gas clients) was offset by the restructurings initiated in the 1st quarter and the consolidation of the Chemours Sulfur Products division's assets (+€22 million over 6 months). In the Municipal sector, the weather-related fall in volumes, and the negative price impact in Energy, were offset by efficiency measures,
  - In China, EBITDA rose 26.3% at constant exchange rates, driven by the substantial increase in industrial water (integration of Sinopec), hazardous waste (commissioning of the Changsha incinerator) and heating networks (Harbin), and ongoing cost-cutting;
- In the **Global Businesses** segment, EBITDA for Veolia Water Technologies doubled compared to 2015. The segment's restructuring, in addition to the favorable resolution of a contract termination resulted in an improved margin (4% in 2016, compared to 1.7% in 2015). Hazardous waste posted a solid performance over the year.

The change in EBITDA between 2015 and 2016 breaks down **by main impact** as follows:

(1) *Excluding impacts related to IFRIC 12 interpretation.*

The foreign exchange impact on EBITDA was negative, amounting to -€71.4 million. It mainly reflects fluctuations of UK the pound sterling (-€38.2 million), South American currencies (-€14.7 million, essentially the Argentine peso), the Chinese renminbi (-€8.7 million) and the Polish zloty (-€8.3 million).

Prices effects, net of cost inflation, had a negative impact, notably in France, in line with the very low indexation of contracts.

The impact of French Water contract renegotiations amounted to -€31 million.

The **volumes, commerce and scope impacts** are favorable, in the amount of +€38 million:

- EBITDA was impacted by lower volumes in France for Water (-€20 million), Waste (decrease in municipal collection), and industrial services in the US and Australia. These items were offset by the commissioning of new assets, a solid performance for Hazardous Waste and a favorable weather impact (+€15 million);
- The commerce impacts were particularly driven by development in China (integration of Sinopec);
- Scope impacts for +€39.1 million mainly concern the integration of the Chemours Sulfur Products division's assets in July 2016 (+€22 million), and the acquisition of the CDR Pedreira landfill site in Brazil in May 2016.

Cost-savings plans contributed €245 million. They mainly cover operational efficiency (for 42%) and purchasing (35%). They were achieved across all geographical zones: France (31%), Europe excluding France (26%), Rest of the World (26%), Global Businesses (12%) and Corporate (5%).

EBITDA impact *(€M)*	**2016 – 2018 cumulative objective**	**2016 objective**	**2016 achievement**
Gross savings	**600**	**200**	**245**

Other changes mainly concern one-off items in the amount of -€46 million, particularly in France.

Current EBIT[(1)]

The Group's consolidated current EBIT for the year ended December 31, 2016 amounted to €1,383.9 million, up significantly by +8.5% at constant exchange rates compared to 2015.

This positive increase in Current EBIT was mainly due to:

- the improvement in Group EBITDA;
- the increase in depreciation and amortization charges at constant exchange rates by +3.1%, in line with scope impacts in France, the UK and the US;
- the favorable change in net operating provision reversals;
- the positive change in gains on disposals of industrial assets, relating to the continuous review of industrial asset portfolios;
- the moderately negative change in the contribution of equity-accounted entities relating to scope impacts in the UK, while the Chinese concessions posted growth at constant exchange rates.

The foreign exchange impact on Current EBIT was negative at -€43.8 million and mainly reflects fluctuations of the UK pound sterling (-€24.1 million), South American currencies (-€7.5 million, including the Argentine peso), and the Chinese renminbi (-€7.7 million).

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

			2015 / 2016 change	
(in € million)	**Year ended December 31, 2015 excluding IFRIC 12**	**Year ended December 31, 2016 excluding IFRIC 12**	**Δ**	**Δ at constant exchange rates**
France	197.1	129.5	-34.3%	-34.3%
Europe, excluding France	558.9	638.3	+14.2%	+19.1%
Rest of the World	465.9	463.1	-0.6%	+2.5%
Global Businesses	99.2	153.7	+54.8%	+56.9%
Other	(5.9)	(0.7)	-	-
Current EBIT	1,315.2	1,383.9	+5.2%	+8.5%

(1) *Excluding impacts related to IFRIC 12 interpretation.*

Current financial income and expenses[1]

Net finance costs totaled -€423.6 million for the year ended December 31, 2016, compared to -€445.9 million for the year ended December 31, 2015.

Net finance costs decreased by €22.3 million versus the 2015 figure, and include a positive foreign exchange impact of €6 million. The lower net finance costs reflects bond refinancing and the Group's active debt management.

Other current financial income and expenses totaled -€30.0 million for the year ended December 31, 2016, compared to €27.9 million year-on -year.

Other current financial income and expenses included capital gains or losses on net financial divestitures in the amount of €12.8 million for the year ended December 31, 2016.

In 2015, capital gains and losses on net financial divestitures amounted to €59.5 million (€52.5 million post-tax), and included the pre-tax capital gain on the disposal of Group activities in Israel for €45.4 million.

Current income tax expense[1]

The re-presented income tax rate for the year ended December 31, 2016 declined to 25.7%, versus 28.0% for the year ended December 31, 2015.

The decrease is primarily due to changes in legislation giving rise to lower tax rates and the activation of deferred taxes at the international level as a result of tax planning.

Current net income[1]

Current net income attributable to owners of the Company rose by 10.8% at constant exchange rates, to €609.8 million for the year ended December 31, 2016 compared to €580.1 million for the year ended December 31, 2015, driven by the growth in Current EBIT, the decrease in net finance costs, and despite capital gains and losses on financial divestitures that were lower in 2016 than in 2015.

Excluding capital gains and losses on financial divestitures net of tax, current net income attributable to owners of the Company rose 19.3% at constant exchange rates to €597.0 million versus €527.6 million for the year ended December 31, 2015.

Current net income attributable to owners of the Company per share was €1.11 (basic) and €1.07 (diluted) for the year ended December 31, 2016, versus €1.06 (basic and diluted) for the year ended December 31, 2015.

Net income[1]

Net income attributable to owners of the Company was €382.2 million for the year ended December 31, 2016, compared to €450.2 million for the year ended December 31, 2015.

The decrease in net income attributable to owners of the Company is explained by non-current items that impacted net income, specifically restructuring charges and provisions, and net non-current provisions and impairments (see below). The greater impact on net income of the Transdev Group contribution increased, in line with the sale of the Group's stake 20% in Transdev (impacts on non-current financial income and the share of net income of other equity-accounted entities).

Net income attributable to owners of the Company per share was €0.57 (basic) and €0.55 (diluted) for the year ended December 31, 2016, versus €0.69 (basic and diluted) for the year ended December 31, 2015.

Financing

Net free cash flow amounted to a record €970 million for the year ended December 31, 2016, versus €856 million for the year ended December 31, 2015. Net free cash flow thus largely exceeds the dividends paid (including the dividends paid to minority interests and hybrid holders) of €590.9 million.

The increase in net free cash flow compared to December 31, 2015 primarily reflects the improvement in EBITDA, the favorable change in operating working capital requirements, lower restructuring costs, partially offset by the increase in net industrial investments in line with fewer industrial divestitures in 2016.

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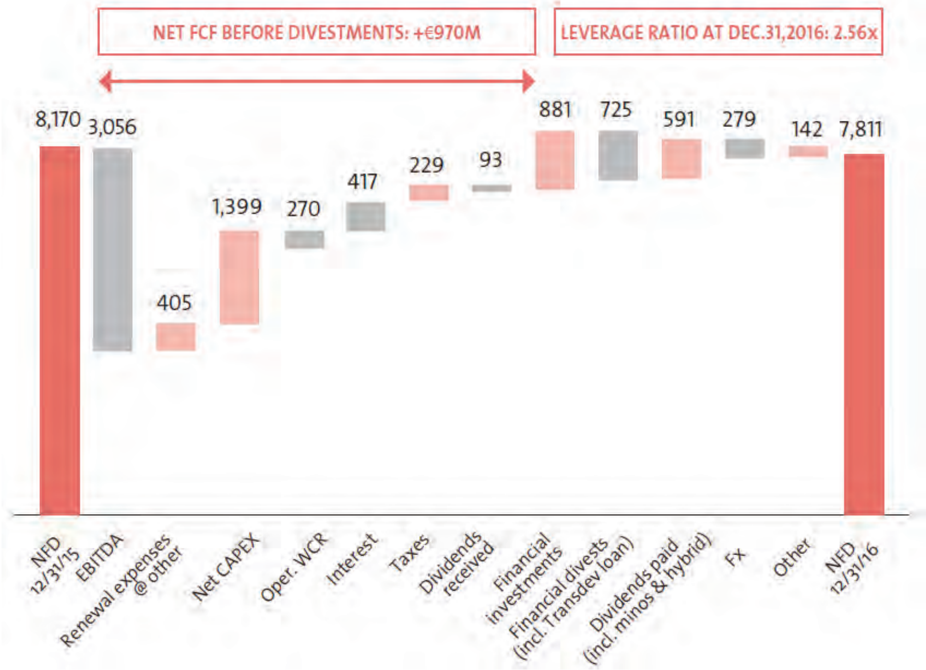
(1) Excluding impacts related to IFRIC 12 interpretation.

Overall, **net financial debt** amounted to €7,811 million at December 31, 2016, compared to €8,170 million at December 31, 2015.



In addition to the change in net free cash flow, net financial debt was favorably impacted by exchange rate fluctuations in the amount of €279 million. Net financial debt was also impacted by:

- The increase in financial investments, which amounted to -€881 million for the year ended December 31, 2016 (including the net financial debt of new entities and acquisition costs) and include the acquisition of Kurion in the US (-€296 million), the Chemours Sulfur Products division (-€290 million) the Pedreira landfill (-€72 million), and of the Prague Left Bank district heating network (-€70 million). As of December 31, 2015, financial investments for -€270 million were mainly related to the purchase of minority stakes in the Water business in Central Europe;
- Financial divestitures in the amount of €725 million for the year ended December 31, 2016, including the reimbursement by Transdev Group of the shareholder loan in March 2016 for €345 million. The financial divestitures include the total impact of the Transdev transaction for €565 million. As of December 31, 2015, financial divestitures included the divestiture of Group activities in Israel.

3.2.3 REVENUE(1)

3.2.3.1 Revenue by segment (excluding IFRIC 12)

In M€ *Excluding IFRIC 12*	Year ended December 31, 2015	Year ended December 31, 2016	Δ	Δ at constant exchange rates	Δ at constant exchange rates, excl. impact of Construction activities and energy prices
France	5,471.5	5,417.7	-1.0%	-1.0%	-0.9%
Europe excluding France	8,574.7	8,286.3	-3.4%	+0.1%	+2.3%
Rest of the World	5,926.1	6,028.4	+1.7%	+3.7%	+5.0%
Global Businesses	4,881.0	4,626.2	-5.2%	-4.1%	+3.0%*
Other	111.5	31.6	-	-	-
Group revenue	24,964.8	24,390.2	-2.3%	-0.4%	+2.0%

* *Global businesses include Hazardous waste activities, and Solutions and Technologies activities in Water (sensitive to fluctuations in construction contracts)*

(1) *Excluding impacts related to IFRIC 12 interpretation.*

The revenue trend in the 4th quarter of 2016 was marked by a turnaround, driven by the growth of Europe excluding France and the Rest of the world:

Δ at constant exchange rates, *excluding IFRIC 12*	**1st quarter 2016**	**2nd quarter 2016**	**3rd quarter 2016**	**4th quarter 2016**
France	+0.2%	-0.7%	-1.3%	-2.1%
Europe excluding France	-0.9%	+0.3%	-0.6%	+1.5%
Rest of the World	-2.4%	+1.9%	+6.3%	+9.1%
Global Businesses	-2.9%	-0.9%	-11.4%	-1.1%
Group	**-2.1%**	**+0.1%**	**-1.7%**	**+1.9%**
Total Group excluding the impact of Construction activities and energy prices	**+1.2%**	**+1.9%**	**+1.6%**	**+3.4%**

France

Revenue in France for the year ended December 31, 2016 was €5,417.7 million, down by -1.0% compared with the prior year. Excluding the impact of Construction activities and energy prices, revenue decreased -0.9%:

- Water business revenue was up slightly by +0.3% compared to December 31, 2015. The positive commercial impact of new contracts (particularly the Ileo contract in Lille) was mitigated by unfavorable contractual renegotiations (renewal of the Greater Lyon and Cobas contracts and the transfer of the Montpellier contract to the municipality), reduced revenue related to Construction activity, low tariff indexation increases of +0.2% (compared to +0.3% in 2015), and a decrease in volumes sold of -1.5%;
- Waste business revenue declined -2.4% over the year. Despite the sound level of incineration activities and landfill volumes (+5.4%), and positive commercial impacts in the sorting and recovery of industrial waste and incineration, revenue was impacted by a drop in municipal and commercial collection volumes and a decrease in recycled material volumes and prices (plastics and ferrous scrap metals). The commercial portfolio nevertheless grew substantially in the 2nd half, with a strong contract renewal rate (Le Mans and Nancy incinerators), contract wins (Troyes incinerator, Cergy collection contract, etc.), and the acquisition of an entity specializing in the recovery of plastics in December 2016 (PMG).

Europe excluding France

Revenue in the Europe excluding France segment for the year ended December 31, 2016 amounted to €8,286.3 million, up +0.1% at constant EXCHANGE rates compared to the year ended December 31, 2015. Revenue posted an upturn of +1.5% at constant exchange rates in the 4th quarter, after virtual stability throughout the year: -0.9% in the 1st quarter, +0.3% in the 2nd quarter, and -0.6% in the 3rd quarter.

Excluding the impact of Construction activities and energy prices, revenue increased +2.3% at constant exchange rates for the year.

This increase breaks down as follows:

- in Central Europe, revenue was stable at constant exchange rates for the year ended December 31, 2016. Following a decline throughout the year, there was a clear turnaround in revenue in the 4th quarter (+3.7% at constant exchange rates), particularly in the Czech Republic thanks to a favorable weather impact and the start of the Prague Left Bank contract. Revenue for the year benefited from higher Water tariffs and volumes in the Czech Republic, the favorable weather impact in Lithuania, Poland, the Czech Republic and Hungary, and the start up of two co-generation plants in Hungary (Debrecen and Nyiregyhaza). These factors were offset by lower Energy tariffs and volumes (heat, electricity) in the Czech Republic and Lithuania in the first half;
- UK and Ireland: revenue was down -1.3% at constant exchange rates for the year ended December 31, 2016. Penalized by a first half that was down -3.4% at constant exchange rates, revenue for the UK and Ireland nevertheless rose by +0.8% in the 2nd half. Despite the decline for Construction, revenue was boosted by the development of the commercial collection activity (particularly the new Sainsbury contract and the new wood recycling activity in Bristol), new municipal Waste contracts (St Albans, Southend-on-Sea, and Hampshire), higher volumes and prices for recycled materials (paper, metals), the solid performance of the Energy businesses, and the commissioning of the Leeds incinerator at the end of 2015;
- Northern Europe: revenue momentum was confirmed throughout the year and rose +5.9% at constant exchange rates for the year ended December 31, 2016. While Germany benefited from the strong growth in Waste and the integration of new contracts (particularly the industrial parks purchased from Nuon), the other Northern Europe countries were driven by the integration of the plastics recycler AKG in the Netherlands and contract wins in Scandinavia;
- Italy: Energy business revenue fell -11.5%.

Rest of the World

Revenue in the Rest of the World segment for the year ended December 31, 2016 was €6,028.4 million, up +3.7% at constant exchange rates compared to the year ended December 31, 2015. After a decrease of -2.4% at constant exchange rates in the 1st quarter, revenue continuously improved throughout the year: +1.9% in the 2st quarter, +6.3% in the 3nd quarter, and +9.1% in the 4th quarter.

Excluding the impact of Construction activities and energy prices, Rest of the World revenue increased +5.0% at constant exchange rates.

Rest of the World revenue reflects solid growth across the region, with the exception of Australia:

- In Latin America (+12.9% at constant exchange rates for the year ended December 31, 2016), where revenue growth throughout the year accelerated further in the 4th quarter in Argentina, Brazil and Mexico. Revenue for the year benefited from higher tariffs, essentially for Waste in Argentina (as well as Brazil, Mexico and Colombia), mitigated by the scheduled termination of the Avellaneda contract in January 2016. Activity growth in Mexico essentially stems from the increase in water volumes invoiced, while Brazil benefitted from the positive impact relating to the acquisition of the Pedreira landfill site and the win of a new Water contract;
- In North America, revenue rose +0.6% at constant exchange rates. Following a first half decline of -9.4% at constant exchange rates, penalized by a drop in gas prices in Energy, fall in heating volumes sold (due to a very mild winter), and a downturn in industrial services, there was a major upturn in revenue in the 2nd half with growth of +11.1% at constant exchange rates. This revenue momentum is primarily due to the integration of the Chemours Sulfur Products division's assets;
- In Asia, revenue rose sharply by +6.3% at constant exchange rates. In China, revenue growth accelerated in the 4th quarter (+34.9% at constant exchange rates), the result of the Sinopec integration, the increase in volumes sold in Energy for the Harbin and Jiamusi heating networks and in industrial contracts (Hongda contract), despite a decrease in energy prices (heating and electricity). Revenue growth in Japan rose by +6.1% at constant exchange rates for the year ended December 31, 2016, in relation to the development of the customer service activity (launch of the Tokyo contract in April 2015) and the O&M Water activity (Omuta contract);
- In Africa and the Middle East, sustained revenue growth (+6.8% at constant exchange rates for the year ended December 31, 2016) covered all the zone's countries. The growth was mainly based on electricity sales in Gabon and business development in the Middle East.

The good growth in the Rest of the World segment was offset by lower revenue in Australia (-3.1% at constant exchange rates). In the Waste business, the increase in collection and treatment activities only partially offset the fall in industrial services.

Global Businesses

The Global Businesses segment reported revenue of €4,626.2 million for year the ended December 31, 2016, down -4.1% at constant exchange rates compared to the year ended December 31, 2015. After a decrease of -5.2% at constant exchange rates for the nine months period ended September 30, 2016, the decline in 4th quarter revenue was less significant at -1.1% at constant exchange rates.

Excluding the impact of Construction activities and energy prices, revenue increased +3.0% at constant exchange rates.

The change in revenue was mainly due to:

- The solid growth of Hazardous Waste activities (+2.4% at constant exchange rates), tied particularly to treatment and recovery activities (launch of the Paris subway line 14 worksite), landfill activities, an increase in industrial clean-up services, and solid performance in industrial maintenance;
- The decline in Construction activities at SADE: the fall in international activities following the postponement of projects to the end of 2016 and the downturn in construction in France were slightly offset by solid Telecom performance; SADE revenue nevertheless improved in the 4th quarter (+11.4% at constant exchange rates) with an increase in the backlog for France and internationally;
- The gradual downsizing of Veolia Water Technologies activities was reflected by the end of major projects, particularly desalinization in the Middle East, and the decline in the Solutions activity. The Veolia Water Technologies backlog declined by 6% to €1.8 billion mainly due to fewer Oil & Gas orders in the US.

3.2.3.2 Revenue by business (excluding IFRIC 12)

In M€ Excluding IFRIC 12	Year ended December 31, 2015	Year ended December 31, 2016	Δ	Δ at constant exchange rates	Δ at constant exchange rates, excl. impact of Construction activities and energy prices
Water	11,356.1	11,137.7	-1.9%	-1.5%	+1.8%
Waste	8,684.1	8,401.2	-3.3%	+0.5%	+1.6%
Energy	4,924.6	4,851.3	-1.5%	+0.4%	+3.2%
Group	**24,964.8**	**24,390.2**	**-2.3%**	**-0.4%**	**+2.0%**

Water

Water revenue declined -1.5% at constant exchange rates year-on-year, and increased +1.8% at constant exchange rates excluding the impact of the Construction activity and energy prices. This decline can be explained as follows:

- Stable Operations activities. In France, the positive commercial impact of new contract wins (Lille) offset the -1.5% decrease in volumes and weak price indexations (+0.2%), while Central Europe benefited from sound volumes;
- The decrease in Veolia Water Technologies and SADE construction revenue (impact of -€345 million).

Waste

Waste revenue rose +0.5% at constant exchange rates year-on-year, and +1.6% at constant exchange rates excluding the impact of the decrease in Construction activity, in relation, overall, to a positive volume impact of +0.6%, and a service price impact of +0.8%, and more specifically:

- a solid performance in the UK excluding Construction activities thanks to new contracts and the commissioning of the Leeds incinerator;
- clear growth in Germany, the result of solid commercial activity, and higher volumes and recycled paper prices of 11%;
- solid growth in hazardous waste (+2.4% at constant exchange rates);
- the integration of the Pedreira landfill site in Brazil;
- mitigated by a weak Industrial Services performance in the United States and Australia;
- and a slight decline in France, where commercial successes and the solid level of incineration activities and landfill volumes were offset by a drop in municipal collection volumes of -10.3%.

Energy

Energy revenue rose 0.4% at constant exchange rates year-on-year, and increased +3.2% at constant exchange rates excluding the decrease in energy prices (impact of -€115 million). This increase can be explained as follows:

- a favorable weather impact of +€35 million: positive in Central Europe (+€61 million), but negative in the United States (-€23 million);
- the progression of Energy activities, specifically in China for heating networks and industrial contracts.

3.2.4 OTHER INCOME STATEMENT ITEMS[(1)]

3.2.4.1 Selling, general and administrative expenses

Selling, general and administrative expenses impacting Current EBIT decreased 4.0% from €2,968.3 million for the year ended December 31, 2015 to €2,848.5 million for the year ended December 31, 2016.

The ratio of selling, general and administrative expenses to revenue improved, decreasing from 11.9% for the year ended December 31, 2015 to 11.7% for the year ended December 31, 2016. This decrease was due to the cost reduction program implemented by the Group.

3.2.4.2 Reconciliation of EBITDA with Current EBIT[(1)]

The reconciling items between EBITDA and Current EBIT as of December 31, 2016 and 2015 are as follows:

In € million, excluding IFRIC 12	Year ended December 31, 2015	Year ended December 31, 2016
EBITDA	**2,997.2**	**3,056.0**
Renewal expenses	(278.4)	(272.4)
Depreciation and amortization*	(1,549.4)	(1,566.3)
Provisions, fair value adjustments & other:	47.1	72.4
• Current impairment of property, plant and equipment, intangible assets and operating financial assets	(28.3)	(26.4)
• Net charges to operating provisions, fair value adjustments and other	75.4	98.8
Share of current net income of joint ventures and associates	98.7	94.2
Current EBIT	**1,315.2**	**1,383.9**

* *Including principal payments on operating financial assets (OFA) of -€201.2 million for the year ended December 31, 2016 (compared to -€173,1 million for the year ended December 31, 2015), and capital gains or losses on industrial divestitures for €29.1 million for the year ended December 31, 2016 (compared to €4.3 million for the year ended December 31, 2015).*

(1) *Excluding impacts related to IFRIC 12 interpretation.*

Depreciation and amortization charges (-€1,394.2 million for the year ended December 31, 2016) are up +3.1% at constant exchange rates, or -€42.7 million compared to depreciation and amortization charges for the year ended December 31, 2015 (-€1,380.6 million) mainly due to acquisitions and the commissioning of new assets.

Capital gains and losses on disposals of industrial assets for the year ended December 31, 2016 concern capital gains on the disposal of industrial assets in relation to the continuous review of industrial asset portfolios.

The share of current net income of joint ventures and associates comprises the UK entities (Water and Waste) for €9.0 million (versus €15.9 million for the year ended December 31, 2015, due to movements in scope), and Chinese Water and Waste entities for €44.3 million (compared to €44.8 million for the year ended December 31, 2015). The Chinese Water concessions nevertheless rose at constant exchange rates (€35.8 million in 2015, versus €36.2 million in 2016).

Net charges to operating provisions for the year ended December 31, 2016 include net provision reversals, particularly usual provision reversals related to landfill site remediation (mainly in France and the United Kingdom), and provision reversals in relation to the removal of certain risks in France and Italy. For the year ended December 31, 2015, this heading included a provision reversal for the "Olivet" contracts in the Water activities in France and the removal of certain risks in France and Australia.

3.2.4.3 Analysis of EBITDA and Current EBIT by segment(1)

France

In € million excluding IFRIC 12	Year ended December 31, 2015	Year ended December 31, 2016	Δ	Δ at constant exchange rates
EBITDA	816.4	750.6	-8.1%	-8.1%
EBITDA margin	14.9%	13.9%		
Current EBIT	197.1	129.5	-34.3%	-34.3%

EBITDA in France fell -8.1% during the year.

In the Water business, cost savings only partially offset contractual erosion of -€31 million (margin degradation), lower volumes, and the negative impact of price effects net of inflation.

EBITDA also fell in the Waste business despite cost savings. The decline is due to a decrease in revenue, unfavorable price impacts net of inflation, and the absence of non-recurring items that benefited 2015.

Current EBIT fell in France due to the fall in EBITDA.

Europe, excluding France

In € million excluding IFRIC 12	Year ended December 31, 2015	Year ended December 31, 2016	Δ	Δ at constant exchange rates
EBITDA	1,104.1	1,159.6	+5.0%	+9.1%
EBITDA margin	12.9%	14.0%		
Current EBIT	558.9	638.3	+14.2%	+19.1%

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

- in the UK, in line with the excellent performance of facilities (commissioning of the PFI in Leeds) and the favorable impact of recycled materials;
- in Central Europe, the solid EBITDA performance was particularly marked in Poland and Hungary, and benefited from a favorable weather impact;
- in Northern Europe where Germany in particular was driven by Waste growth, and the payment of an insurance claim.

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

Current EBIT in Europe excluding France increased due to the improvement in EBITDA and the positive change in operating provisions and in particular related to landfills in the UK.

(1) Excluding impacts related to IFRIC 12 interpretation.

Rest of the World

In € million excluding IFRIC 12	Year ended December 31, 2015	Year ended December 31, 2016	Δ	Δ at constant exchange rates
EBITDA	805.0	861.5	+7.0%	+10.0%
EBITDA margin	13.6%	14.3%		
Current EBIT	465.9	463.1	-0.6%	+2.5%

Rest of the World EBITDA grew significantly in Asia, as well as in Latin America and North America.

Asia EBITDA posted solid growth throughout the year, driven by cost reductions and the increase in revenue, particularly in China and Japan. In China, EBITDA benefited from the substantial increase in Industrial water (integration of the Sinopec contract), Hazardous Waste (commissioning of the Changsha incinerator) and heating networks, particularly Harbin.

EBITDA in Latin America was up sharply in the 2nd half, particularly in Argentina, in line with the change in revenue.

Following a decline in the first half, particularly regarding Energy, North America EBITDA rebounded in the 2nd half thanks to cost-cutting efforts and the integration of the Chemours Sulfur Products division's assets, which offset the decline in revenue in industrial services and the lower gas price in Energy.

Rest of the World Current EBIT was up at constant exchange rates, but to a lesser extent than EBITDA growth, penalized by higher depreciation and amortization charges relating to the integration of the Chemours Sulfur Products division's assets, the negative change in operating provisions in the US and Australia, and the early repayment of a receivable in Korea. Results of the Chinese Water concessions, recorded within the share of net income (loss) of joint ventures and associates rose at constant exchange rates.

Global Businesses

In € million excluding IFRIC 12	Year ended December 31, 2015	Year ended December 31, 2016	Δ	Δ at constant exchange rates
EBITDA	225.8	262.7	+16.4%	+17.5%
EBITDA margin	4.6%	5.7%		
Current EBIT	99.2	153.7	+54.8%	+56.9%

EBITDA of the Global Businesses segment is up significantly:

- in Construction activities (VWT and Sade), EBITDA benefited from cost savings efforts, the improvement in margins and the favorable resolution of a contract termination;
- in Hazardous waste, the EBITDA increase arises from a strong performance and the pursuit of efficiency plans.

Current EBIT of Global Businesses also rose thanks to the increase in EBITDA and the favorable comparison effect in relation to asset impairments in Hazardous waste in 2015.

3.2.4.4 Net financial expenses(1)

In € million, excluding IFRIC 12	Year ended December 31, 2015	Year ended December 31, 2016
Cost of net financial debt (a)	(445.9)	(423.6)
Gains (losses) on disposals of financial assets*	59.5	12.8
Net gains / losses on loans and receivables	25.5	9.0
Net income (loss) on available-for-sale assets	4.0	5.0
Foreign exchange gains and losses	6.4	5.3
Unwinding of the discount on provisions	(39.0)	(41.7)
Other	(28.5)	(20.4)
Other current financial income and expenses (b)	27.9	(30.0)
Current net financial expenses (a)+(b)	**(418.0)**	**(453.6)**
Other non-current financial income and expenses**	-	25.7
NET FINANCIAL EXPENSES	(418.0)	(427.9)

* *Including costs of financial divestitures*
** *Primarily related to the impact of the sale of 20% of Transdev*

Cost of Net financial debt

The cost of net financial debt totaled -€423.6 million for the year ended December 31, 2016, versus -€445.9 million for the year ended December 31, 2015, representing a decrease of €22.3 million.

This decline in the cost of net financial debt mainly reflects the repayment of the inflation-indexed bond using available cash in June 2015, bond refinancing under better conditions, the Group's active debt management, and a positive exchange rate impact of €6 million, offsetting the increase in the cost of foreign exchange derivatives.

The financing rate fell from 5.0% for the year ended December 31, 2015 to 4.95% for the year ended December 31, 2016.

Other financial income and expenses(1)

Other current financial income and expenses totaled -€30.0 million for the year ended December 31, 2016, versus €27.9 million for the year ended December 31, 2015.

Other current financial income and expenses included the impacts of financial divestitures for €12.8 million, and notably impacts related to fair-value remeasurement of previously-held equity interests in France and China. For the year ended December 31, 2015, capital gains or losses on financial divestitures amounted to €59.5 million, including the capital gain on the disposal of the Group's Israel activities.

Net gains/losses on loans and receivables for the year ended December 31, 2015 included the interest on the loan to Transdev, repaid in full in March 2016.

Other non-current financial income and expenses for the year ended December 31, 2016 primarily concern the Group's sale of 20% of Transdev (see Section 3.1.2).

3.2.4.5 Income tax expense(1)

The income tax expense for the year ended December 31, 2016 amounted to -€192.3 million, compared to -€199.5 million for the year ended December 31, 2015.

The tax rate for the year ended December 31, 2016 declined to 25.7% (versus 28.0% for the year ended December 31, 2015), after adjustment for the impact of financial divestitures, non-current items within net income of fully controlled entities, and the share of net income of equity-accounted companies.

In € million, excluding IFRIC 12	Year ended December 31, 2015	Year ended December 31, 2016
Current income before tax (a)	**897**	**930**
Of which share of net income of joint ventures & associates **(b)**	99	94
Of which gains (losses) on disposals of financial assets **(c)**	60	13
Re-presented current income before tax: (d) = (a) - (b) - (c)	**738**	**823**
Re-presented tax expense (e)	**(207)**	**(211)**
Re-presented tax rate on current income (e) / (d)	**28.0%**	**25.7%**

3.2.4.6 Current net income (loss) / Net income (loss) attributable to owners of the Company(1)

The share of net income attributable to non-controlling interests totaled €102.0 million for the year ended December 31, 2016, compared to €101.1 million for the year ended December 31, 2015.

Net income attributable to owners of the Company was €382.2 million for the year ended December 31, 2016, compared to €450.2 million for the year ended December 31, 2015.

Current net income attributable to owners of the Company was €609.8 million for the year ended December 31, 2016, compared to €580.1 million for the year ended December 31, 2015.

Based on a weighted average number of outstanding shares of 549.0 million (basic) and 568.5 million (diluted), compared with 548.5 million as of December 31, 2015 (basic and diluted), earnings per share attributable to owners of the Company for the year ended December 31, 2016 was €0.57 (basic) and €0.55 (diluted), compared to 0.69 (basic and diluted) for the year ended December 31, 2015. Current net income per share attributable to owners of the Company was €1.11 (basic) and €1.07 (diluted) for the year ended December 31, 2016, compared to €1.06 (basic and diluted) for the year ended December 31, 2015.

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, as well as the shares attributed under the long-term incentive plan set up in 2015.

(1) Excluding impacts related to IFRIC 12 interpretation.

Net income (loss) attributable to owners of the Company for the year ended **December 31, 2016** breaks down as follows:

In € million, excluding IFRIC 12	Current	Non-current	Total
EBIT	1,383.9	(306.9)	1,077.0
Cost of net financial debt	(423.6)	-	(423.6)
Other financial income and expenses	(30.0)	25.7	(4.3)
Pre-tax income	**930.3**	**(281.2)**	**649.1**
Income tax expense	(211.3)	19.0	(192.3)
Net income (loss) of other equity-accounted entities	-	27.4	27.4
Net income (loss) from discontinued operations		-	-
Non-controlling interests	(109.2)	7.2	(102.0)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	**609.8**	**(227.6)**	**382.2**

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

In € million, excluding IFRIC 12	Year ended December 31, 2015	Year ended December 31, 2016
Current EBIT	**1,315.2**	**1,383.9**
Impairment losses on goodwill and negative goodwill	(18.2)	3.2
Restructuring charges [(1)]	(80.8)	(184.5)
Non-current provisions and impairments [(2)]	(78.7)	(109.6)
Other [(3)]	(14.7)	(16.0)
Total non-current items	**(192.4)**	**(306.9)**
OPERATING INCOME AFTER SHARE OF NET INCOME OF EQUITY-ACCOUNTED ENTITIES	**1,122.9**	**1,077.0**

(1) *Restructuring charges for the year ended December 31, 2016 mainly related to Water activities in France in the amount of -€56.7 million (new departure plan) and Veolia Water Technologies for -€29.7 million.*
Restructuring charges for the year ended December 31, 2015 related to Water activities in France in the amount of -€41.5 million, and Veolia Water Technologies for -€13.9 million.

(2) *Non-current provisions and impairment of assets mainly related to coverage of Group risks in Europe.*

(3) *Other non-current items concern personnel costs: share-based payments, and share acquisition costs, with or without acquisition of control.*

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

In € million, excluding IFRIC 12	Current	Non-current	Total
EBIT	1,315.2	(192.4)	1,122.9
Cost of net financial debt	(445.9)	-	(445.9)
Other financial income and expenses	27.9	-	27.9
Pre-tax income	**897.3**	**(192.4)**	**704.9**
Income tax expense	(207.1)	7.6	(199.5)
Net income (loss) of other equity-accounted entities	-	45.9	45.9
Net income (loss) from discontinued operations	-	-	-
Non-controlling interests	(110.1)	9.0	(101.1)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	**580.1**	**(129.9)**	**450.2**

3.3 Financing(1)

3.3.1 CHANGES IN NET FREE CASH FLOW AND NET FINANCIAL DEBT(1)

The following table summarizes the change in Net Financial Debt and net Free Cash Flow:

In € million, excluding IFRIC 12	Year ended December 31, 2015	Year ended December 31, 2016
EBITDA	**2,997.2**	**3,056.0**
Net industrial investments	(1,378.6)	(1,398.7)
Change in operating WCR	203.3	270.4
Dividends received from equity-accounted entities and joint ventures	90.1	93.2
Renewal expenses	(278.4)	(272.4)
Other non-current expenses and restructuring costs	(150.1)	(133.5)
Financial items (current cash financial expense, and operating cash flow from financing activities)	(403.2)	(416.7)
Taxes paid	(223.9)	(228.7)
Net free cash flow before dividend payment, financial investments and financial divestitures	**856.4**	**969.6**
Dividends paid	(582.7)	(590.9)
Net financial investments	118.2	(500.8)
Change in receivables and other financial assets	139.7	273.0
VE capital increase (excluding per share dividend distribution)	12.2	(22.0)
Issue / repayment of deeply subordinated securities	-	17.6
Free cash-flow	**543.8**	**146.5**
Effect of foreign exchange rate movements and other	(402.4)	212.1*
Change	**141.4**	**358.6**
Net financial debt at the beginning of the period	(8,311.1)	(8,169.7)
NET FINANCIAL DEBT AT THE END OF THE PERIOD	**(8,169.7)**	**(7,811.1)**

* *The effect of foreign exchange rate and other movements as of December 31, 2016 included the fluctuations in the pound sterling in the amount of €307 million.*

Net free cash flow amounted to €970 million for the year ended December 31, 2016, versus €856 million for the year ended December 31, 2015.

The increase in net free cash flow compared to December 31, 2015 primarily reflects the improvement in EBITDA, the favorable change in operating working capital requirements, lower restructuring charges, partially offset by the increase in net industrial investments in line with fewer industrial divestitures in 2016.

3.3.2 INDUSTRIAL AND FINANCIAL INVESTMENTS

3.3.2.1 Group investment policy

A detailed description of investments made in 2016, as well as their financing, is set forth in Note 7.2 Intangible assets, Note 7.3 Property, plant and equipment, Note 5.4 Non-current and current operating financial assets, and Note 4 Reporting by operating segment to the consolidated financial statements.

Veolia Environnement's investment strategy seeks to defend the Group's strong positions in creditworthy geographic areas with significant environmental demands and to develop the Group's positions in high-growth markets, particularly with industrial clients. Besides these qualitative attributes, quantitative profitability measures are also taken into account relative to the Group's investment choices (primarily internal rate of return, payback period and return on capital employed) are taken into consideration.

(1) *Excluding impacts related to IFRIC 12 interpretation.*

The Group makes certain growth investments (discretionary financial and industrial growth investments) corresponding to new projects (which could be multi-year in terms of the investment program) that generate additional cash flow.

Veolia Environnement also makes financial investments in companies dedicated to contracts, particularly as part of privatizations and targeted acquisitions.

The Group also carries out industrial investments related to maintenance and contractually required investments that result in the renewal and/or maintenance of existing infrastructures so as to extend their lifespan or improve efficiency.

In both cases, industrial investments are spread over a large number of entities and are subject to budget authorizations. The most significant investments are carefully reviewed by the Investment Committee in order to ensure they comply with the Group's standards of profitability, financial structure and risk.

3.3.2.2 Industrial investments[1]

Total Group gross industrial investments, including new operating financial assets, amounted to €1,485 million in 2016, compared with €1,484 million in 2015.

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

Year ended December 31, 2016 *In € million, excluding IFRIC 12*	**Maintenance and contractual requirements**	**Discretionary growth**	**Total gross industrial investments**	**Industrial divestitures**	**Total net industrial investments**
France	328	4	332	(26)	306
Europe excluding France	504	74	578	(28)	550
Rest of the World	311	127	438	(17)	421
Global Businesses	114	-	114	(14)	100
Other	23	-	23	(1)	22
TOTAL INDUSTRIAL INVESTMENTS	**1,280***	**205**	**1,485****	**(86)**	**1,399**

* *Of which maintenance investments of €795 million, and contractual investments of €485 million.*

** *Of which new OFA in the amount of €113 million.*

Year ended December 31, 2015 *In € million, excluding IFRIC 12*	**Maintenance and contractual requirements**	**Discretionary growth**	**Total gross industrial investments**	**Industrial divestitures**	**Total net industrial investments**
France	295	18	313	(35)	278
Europe excluding France	469	163	632	(38)	594
Rest of the World	307	81	388	(25)	363
Global Businesses	124	4	128	(6)	122
Other	22	1	23	(1)	22
TOTAL INDUSTRIAL INVESTMENTS	**1,217***	**267**	**1,484****	**(105)**	**1,379**

* *Of which maintenance investments of €774 million, and contractual investments of €443 million.*

** *Of which new OFA in the amount of €120 million.*

At constant exchange rates, gross industrial investments rose slightly compared to 2015 (+2.5%).

Gross industrial investments for maintenance and contractual requirements totaled €1,280 million in 2016 (vs. €1,217 million in 2015), representing 5.2% of revenue (stable compared to 2015).

Gross discretionary growth industrial investments mainly concerned:

- in 2016: projects in Australia in the Waste business (transfer station and mechanical biological treatment facility), various projects in China (for the Harbin heating network, in the Industrial Water business, and the construction of hazardous waste incinerators), and network extensions in the Water and Energy businesses in Poland;
- in 2015: the construction of the Leeds and Shropshire incinerators in the UK, network extensions in the Energy business in Poland, and work on the Harbin heating network in China.

(1) *Excluding impacts related to IFRIC 12 interpretation.*

3.3.2.3 Financial investments and divestitures

Financial investments amounted to -€881 million for the year ended December 31, 2016 (including the net financial debt of new entities and acquisition costs) and include the acquisition of Kurion in the US (-€296 million), the Chemours' Sulfur Products division (-€290 million) the Pedreira landfill in Brazil (-€72 million), and the Prague Left Bank district heating network (-€70 million). For the year ended December 31, 2015, financial investments for -€270 million were mainly related to the purchase of minority stakes in the Water business in Central Europe.

Financial divestitures totaled €380 million for the year ended December 31, 2016 and include the sale of 20% of Transdev for €216 million (including disposal costs). For the year ended December 31, 2015, financial divestitures included the divestiture of Group activities in Israel.

Financial divestitures, including the reimbursement by Transdev Group of the shareholder loan in March 2016 for €345 million (recorded under "Change in receivables and other financial assets"), amounted to €725 million for the year ended December 31, 2016. This transaction therefore had a total impact of €565 million on Group net financial debt (excluding disposal costs).

3.3.3 LOANS TO JOINT VENTURES

Loans to joint ventures, recorded under "Change in receivables and other financial assets" totaled €165.6 million as of December 31, 2016 (versus €509.9 million as of December 31, 2015) and included loans to the Chinese concessions of €124.1 million (€116.0 million as of December 31, 2015). As of December 31, 2015, loans to equity-accounted entities also included loans to Transdev Group of €345.4 million repaid in full as of December 31, 2016.

3.3.4 OPERATING WORKING CAPITAL

The change in operating working capital requirements (excluding discontinued operations) totaled +€270 million as of December 31, 2016, compared to +€203 million as of December 31, 2015.

This increase was attributable to the change in inventories (+€35 million), operating receivables (+€84 million) and operating payables (+€151 million).

See Note 5.3 to the consolidated financial statements for the year ended December 31, 2016.

3.3.5 EXTERNAL FINANCING

3.3.5.1 Structure of net financial debt

(in € million)	Note	As of December 31, 2015	As of December 31, 2016
Non-current borrowings	8.1.1	8,022.3	8,344.0
Current borrowings	8.1.1	4,000.1	4,759.7
Bank overdrafts and other cash position items	8.1.3	318.6	246.8
Sub-total borrowings		12,341.0	13,350.5
Cash and cash equivalents	8.1.3	(4,176.3)	(5,521.4)
Fair value gains (losses) on hedge derivatives	8.3.1	5.0	(5.0)
Liquid assets and financing-related assets	8.1.2	-	(13.0)
NET FINANCIAL DEBT		8,169.7	7,811.1

As of December 31, 2016, net financial debt after hedging[1] was borrowed at 92% at fixed rates and 8% at variable rates.

The average maturity of net financial debt was 9.3 years as of December 31, 2016 vs. 8.8 years as of December 31, 2015.

The leverage ratio for the year ended December 31, 2016, i.e. the ratio of closing Net Financial Debt (NFD) to EBITDA, decreased compared to December 31, 2015:

	December 31, 2015	December 31, 2016
Leverage ratio *(Closing NFD / EBITDA)*	2.73	2.56

(1) *Including the restatement of €1,067 million of the carry-over of cash related to the pre-financing of future bond maturities in 2017.*

3.3.5.2 Group liquidity position

Liquid assets of the Group as of December 31, 2016 break down as follows:

(in € million)	**December 31, 2015**	**December 31, 2016**
Veolia Environnement:		
Undrawn syndicated loan facility	3,000.0	3,000.0
Undrawn MT bilateral credit lines	925.0	925.0
Undrawn ST bilateral credit lines	-	-
Letter of credit facility	49.3	8.2
Cash and cash equivalents	3,297.6	4,648.4
Subsidiaries:		
Cash and cash equivalents	878.7	873.0
Total liquid assets	**8,150.6**	**9,454.6**
Current debt, bank overdrafts and other cash position items		
Current debt	4,000.1	4,759.7
Bank overdrafts and other cash position items	318.6	246.8
Total current debt, bank overdrafts and other cash position items	**4,318.7**	**5,006.5**
TOTAL LIQUID ASSETS NET OF CURRENT DEBT AND BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS	**3,831.9**	**4,448.1**

The increase in net liquid assets mainly reflects the offering of bonds convertible into and/or exchangeable for new and/or existing shares (OCEANEs) for a nominal amount of €700 million, the issue of a renminbi-denominated bond on the Chinese domestic market in September 2016 for a nominal amount of €135 million equivalent and the issue of euro-denominated bonds for a nominal amount of €1.1 billion in October 2016, partially offset by upcoming bond maturities in 2017, including the euro-denominated bond maturing in January 2017 for €608 million, the euro-denominated bond maturing in June 2017 for €252 million, the renminbi-denominated bond maturing in June 2017 for €68 million equivalent, and the floating-rate euro-denominated bond maturing in May 2017 for €350 million.

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

Undrawn medium-term syndicated loan facilities

On November 6, 2015, Veolia Environnement signed a new multi-currency syndicated loan facility in the amount of €3 billion initially maturing in 2020, extended to 2021 in October 2016 and extendable to 2022 with the possibility for drawdowns in Eastern European currencies and Chinese Renminbi.

This syndicated loan facility replaces the two syndicated loan facilities set up in 2011: a 5-year multi-currency loan facility of €2.5 billion, and a 3-year loan of €500 million for drawdowns in Polish zlotys, Czech crowns and Hungarian forints.

This syndicated loan facility was not drawn down as of December 31, 2016.

Undrawn ST and MT bilateral credit lines

In 2015, Veolia Environnement renegotiated all its bilateral credit lines for a total undrawn amount of €925 million as of December 31, 2016.

Letter of credit facility

As of December 31, 2016, the letter of credit facility was drawn by USD 176.3 million. The portion that may be drawn in cash amounted to USD 8.7 million (€8.2 million euro equivalent). It is undrawn and recorded in the liquidity table above.

The decrease in net liquid assets mainly reflects upcoming bond maturities before June 30, 2017, including the euro-denominated bond maturing in January 2017 for a nominal amount of €606 million, the euro-denominated bond maturing in June 2017 for a nominal amount of €250 million, and the renminbi denominated bond maturing in June 2017 for a nominal amount of €68 million equivalent, partially offset by an offering of bonds convertible into and/or exchangeable for new and/or existing shares (OCEANEs) for a nominal amount of €700 million.

3.3.5.3 Bank covenants

See Note 8.3.2.3 to the consolidated financial statements for the year ended December 31, 2016.

3.4 Return on capital employed (ROCE)(1)

Veolia Environnement uses the ROCE indicator (return on capital employed) to track the Group's profitability. This indicator measures Veolia Environnement's ability to provide a return on the funds provided by shareholders and lenders. The Group distinguishes between:

- Post-tax ROCE, calculated at Group level, that include investments in joint ventures and associates;
- Pre-tax ROCE, broken down for the Group and its operating segments that exclude investments in joint ventures and associates.

The return on capital employed indicators are defined in Section 3.8.3 below. In both cases, the impacts of the Group's investment in the Transdev Group joint venture, which is not viewed as a core Company activity and whose contribution is recognized as a share of net income of other equity-accounted entities, are excluded from the calculations.

3.4.1 POST-TAX ROCE

Current EBIT after tax is calculated as follows:

In € million, excluding IFRIC 12	2015	2016
Current EBIT*	1,315.2	**1,383.9**
Current income tax expense	(207.1)	**(211.3)**
Current EBIT after tax	1,108.1	**1,172.6**

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

Average capital employed for the year was calculated as follows:

In € million, excluding IFRIC 12	Year ended December 31, 2015	Year ended December 31, 2016
Intangible assets and property, plant and equipment, net	10,519.4	10,855.3
Goodwill, net of impairment	4,635.0	4,864.0
Investments in joint ventures and associates	2,617.6	2,366.0
Operating financial assets	1,896.5	1,735.8
Operating and non-operating working capital requirements, net	(447.1)	(730.3)
Net derivative and other instruments*	(47.8)	(129.5)
Provisions	(2,547.2)	(2,630.3)
Capital employed	**16,626.4**	**16,331.0**
Impact of discontinued operations and other restatements**	(310.3)	(232.2)
Represented capital employed	**16,316.1**	**16,098.8**
Average capital employed	**16,313.4**	**16,207.4**

* *Excluding derivatives hedging the fair value of debt in the amount of €12.2 million for the year ended December 31, 2015, and €0.3 million for the year ended December 31, 2016.*

** *The restatements in 2015 and 2016 include the impact arising from the capital employed of entities which are not viewed as core to the Group's businesses, i.e. Transdev Group.*

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

In € million, excluding IFRIC 12	Current EBIT after tax	Average capital employed	Post-tax ROCE
2015	1,108.1	16,313.4	6.8%
2016	**1,172.6**	**16,207.4**	**7.2%**

The Group's post-tax return on capital employed (ROCE) was 7.2% for the year ended December 31, 2016 versus 6.8% for the year ended December 31, 2015. The increase in the return on capital employed between 2016 and 2015 was primarily due to improved operating performance.

(1) Excluding impacts related to IFRIC 12 interpretation.

3.4.2 PRE-TAX ROCE

Unlike post-tax ROCE, the capital employed used for the pre-tax ROCE 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, excluding IFRIC 12	Current EBIT* before tax	Average capital employed	Pre-tax ROCE
France	196.6	1,890.8	10.4%
Europe excluding France	538.9	7,536.9	7.1%
Rest of the World	402.4	4,005.5	10.0%
Global Businesses	84.7	995.1	8.5%
Other	(6.0)	(263.8)	N/A
TOTAL GROUP 2015	1,216.6	14,164.5	8.6%
France	129.7	1,796.7	7.2%
Europe excluding France	626.9	7,231.7	8.7%
Rest of the World	398.9	4,310.8	9.3%
Global Businesses	134.9	1,087.6	12.4%
Other	(0.7)	(350.7)	N/A
TOTAL GROUP 2016	1,289.7	14,076.1	9.2%

* *Before share of net income or loss of equity-accounted entities.*

3.5 Statutory auditors' fees

In 2016 and 2015, Veolia Environnement and its fully consolidated subsidiaries paid the following fees to its statutory auditors for services rendered in connection with all consolidated companies:

	KPMG network				Ernst & Young network			
	Amount (excl. taxes)		Percentage		Amount (excl. taxes)		Percentage	
(in € million)	2016	2015	2016	2015	2016	2015	2016	2015
Statutory audit, certification, audit of company and consolidated accounts (1)	9.3	10.7	80.9%	84.9%	11.6	13.2	85.3%	88.0%
- Veolia Environnement	1.3	1.1	11.3%	8.7%	1.5	1.1	11.0%	7.1%
- Fully-consolidated subsidiaries	8.0	9.6	69.6%	76.2%	10.1	12.1	74.3%	80.9%
Other diligences and services directly related to the statutory audit engagement (2)	2.2	1.9	19.1%	15.1%	2.0	1.8	14.7%	12.0%
- Veolia Environnement	0.6	0.6	5.2%	4.8%	0.4	0.2	2.9%	1.3%
- Fully-consolidated subsidiaries	1.6	1.3	13.9%	10.3%	1.6	1.6	11.8%	10.7%
Sub-total (a)	11.5	12.6	100%	100%	13.6	15.0	100%	100%
Other services rendered by the networks to fully-consolidated subsidiaries (3)								
- Legal, tax, employee-related								
- Other								
Sub-total (b)								
TOTAL (a + b)	11.5	12.6	100%	100%	13.6	15.0	100%	100%

(1) *Including services provided by independent experts or statutory auditor network members at the request of the statutory auditors for the purpose of the audit.*

(2) *Diligences and services rendered to Veolia Environnement or its subsidiaries by the statutory auditors or members of their networks.*

(3) *Non-audit services rendered by network members to Veolia Environnement subsidiaries.*

3.6 Subsequent events

No event occurred between the balance sheet date and the date when the Board of Directors authorized the financial statements for issue.

3.7 Outlook

The Group's medium-term outlook[1] is as follows:

- **2017:** a transition year, with a resumption of revenue growth, stable EBITDA or moderate EBITDA growth and increased efforts to reduce costs by more than €250 million.
- **2018:** continuation of revenue growth and the resumption of more sustained EBITDA growth, with an objective of more than €300 million in cost savings.
- **2019:** continuation of revenue growth and full impact of savings. EBITDA expected between €3.3bn and €3.5bn[2] *(excluding IFRIC 12).*

3.8 Appendices to the Operating and Financial Review

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

The reconciliation of Current EBIT with operating income (excluding the IFRIC 12 impact), as shown in the income statement, is shown in Section 3.2.4.6. Likewise, the reconciliation of current net income with net income, as shown in the income statement, is shown in Sections 3.2.4.6 (excluding the IFRIC 12 impact) and 3.8.2 (including the IFRIC 12 impact).

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

In € million	**Year ended December 31, 2015** *Including IFRIC 12*	**Year ended December 31, 2016** *Including IFRIC 12*
Operating cash flow before changes in working capital	**2,575.7**	**2,639.0**
Operating cash flow from financing activities	0.6	3.2
Adjusted operating cash-flow	2,575.1	2,635.8
Excluding:		
Renewal expenses	278.4	272.4
Non-current impairment losses on WCR	-	14.3
Cash restructuring costs (1)	150.1	119.2
Share acquisition and disposal costs	6.0	15.5
Including:		
Principal payments on operating financial assets	173.1	201.2
EBITDA	**3,182.6**	**3,258.4**

(1) *In 2016, restructuring costs were primarily recognized at Veolia Environnement, VWT, in the United States and in France Waste. In 2015, restructuring costs mainly concerned the France Water business.*

(1) *At constant exchange rates.*

(2) *Equivalent to €3.4bn to €3.6bn (excluding IFRIC 12) and before taking into account the unfavorable exchange rate impact in 2016.*

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	Year ended December 31, 2015 Including IFRIC 12	Year ended December 31, 2016 Including IFRIC 12
Net cash from operating activities of continuing operations	**2,463.8**	**2,568.7**
Including:		
Industrial investments, net of grants	(1,347.3)	(1,353.5)
Proceeds on industrial assets	105.9	85.8
New operating financial assets	(120.3)	(113.4)
Principal payments on operating financial assets	173.1	201.2
New finance lease obligations	(16.9)	(17.7)
Dividends received	90.1	93.2
Interest paid	(519.3)	(521.3)
Excluding :		
Share acquisition and disposal costs	6.0	15.5
Accrued interest on financial debt	21.3	11.1
Net Free cash-flow	**856.4**	**969.6**

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, 2015 Including IFRIC 12	Year ended December 31, 2016 Including IFRIC 12
Industrial investments, net of grants	**(1,347.3)**	**(1,353.5)**
New finance lease obligations	(16.9)	(17.7)
Change in concession working capital requirements	(91.3)	(112.0)
New operating financial assets	(120.3)	(113.4)
Industrial capex	**(1,575.8)**	**(1,596.6)**

3.8.2 IMPACTS OF THE ADOPTION OF THE IFRIC 12 INTERPRETATION AS OF JANUARY 1, 2015

Changes in EBITDA by segment

	Year ended December 31, 2015		Year ended December 31, 2016		Δ 2015 /2016, incl. IFRIC 12	
(in € million)	Excluding IFRIC 12	Including IFRIC 12	Excluding IFRIC 12	Including IFRIC 12	Δ	Δ at constant exchange rates
France	816.4	828.5	750.6	763.2	-7.9%	-7.9%
Europe, excluding France	1,104.1	1,274.3	1,159.6	1,346.1	+5.6%	+9.1%
Rest of the World	805.0	808.1	861.5	864.8	+7.0%	+9.9%
Global Businesses	225.8	225.8	262.7	262.7	+16.4%	+17.5%
Other	45.9	45.9	21.6	21.6	-	-
EBITDA	**2,997.2**	**3,182.6**	**3,056.0**	**3,258.4**	**+2.4%**	**+4.6%**
EBITDA MARGIN	**12.0%**	**12.7%**	**12.5%**	**13.4%**		

Changes in Current EBIT by segment

(in € million)	Year ended December 31, 2015 Excluding IFRIC 12	Year ended December 31, 2015 Including IFRIC 12	Year ended December 31, 2016 Excluding IFRIC 12	Year ended December 31, 2016 Including IFRIC 12	Δ 2015 /2016, incl. IFRIC 12 Δ	Δ 2015 /2016, incl. IFRIC 12 Δ at constant exchange rates
France	197.1	200.4	129.5	132.7	-33.8%	-33.8%
Europe, excluding France	558.9	632.2	638.3	726.4	+14.9%	+19.1%
Rest of the World	465.9	467.4	463.1	464.5	-0.6%	+2.5%
Global Businesses	99.2	99.2	153.7	153.7	+54.8%	+56.9%
Other	(5.9)	(5.9)	(0.7)	(0.8)	-	-
CURRENT EBIT	1,315.2	1,393.3	1,383.9	1,476.5	+6.0%	+9.1%

Reconciliation of EBITDA with Current EBIT

(in € million)	Year ended December 31, 2015 Excluding IFRIC 12	Year ended December 31, 2015 Including IFRIC 12	Year ended December 31, 2016 Excluding IFRIC 12	Year ended December 31, 2016 Including IFRIC 12
EBITDA	**2,997.2**	**3,182.6**	**3,056.0**	**3,258.4**
Renewal expenses	(278.4)	(278.4)	(272.4)	(272.4)
Depreciation and amortization (1)	(1,549.4)	(1,656.7)	(1,566.3)	(1,676.1)
Share of current net income of joint ventures and associates	98.7	98.7	94.2	94.2
Provisions, fair value adjustments & other:	47.1	47.1	72.4	72.4
• Current impairment of property, plant and equipment, intangible assets and operating financial assets	*(28.3)*	*(28.3)*	*(26.4)*	*(26.4)*
• Net charges to operating provisions, fair value adjustments and other	*75.4*	*75.4*	*98.8*	*98.8*
CURRENT EBIT	**1,315.2**	**1,393.3**	**1,383.9**	**1,476.5**

(1) Including principal payments on operating financial assets (OFA) of -€201.2 million for the year ended December 31, 2016 (compared to -€173.1 million for the year ended December 31, 2015), and capital gains or losses on industrial divestitures for €29.1 million for the year ended December 31, 2016 (compared to €4.3 million for the year ended December 31, 2015).

Net income (loss) attributable to owners of the Company for the year ended December 31, 2016

In € million, including IFRIC 12	Current	Non-current	Total
EBIT	1,476.5	(306.9)	1,169.6
Cost of net financial debt	(423.6)	-	(423.6)
Other financial income and expenses	(120.3)	25.7	(94.6)
Pre-tax income	932.6	(281.2)	651.4
Income tax expense	(211.7)	19.0	(192.7)
Net income (loss) of other equity-accounted entities	-	27.4	27.4
Net income (loss) from discontinued operations	-	-	-
Non-controlling interests	(110.2)	7.2	(103.0)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	610.7	(227.6)	383.1

Net income (loss) attributable to owners of the Company for the year ended December 31, 2015

In € million, including IFRIC 12	Current	Non-current	Total
EBIT	1,393.3	(192.4)	1,200.9
Cost of net financial debt	(445.9)	-	(445.9)
Other financial income and expenses	(66.2)	-	(66.2)
Pre-tax income	881.2	(192.4)	688.8
Income tax expense	(204.1)	7.6	(196.5)
Net income (loss) of other equity-accounted entities	-	45.9	45.9
Net income (loss) from discontinued operations	-	-	-
Non-controlling interests	(109.5)	9.0	(100.5)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	567.6	(129.9)	437.7

Change in net financial debt and net free cash flow

	Year ended December 31, 2015		Year ended December 31, 2016	
(in € million)	Excluding IFRIC 12	Including IFRIC 12	Excluding IFRIC 12	Including IFRIC 12
EBITDA	**2,997.2**	**3,182.6**	**3,056.0**	**3,258.4**
Net industrial investments	(1,378.6)	(1,469.9)	(1,398.7)	(1,510.8)
Change in operating WCR	203.3	203.3	270.4	270.4
Dividends received from equity-accounted entities and joint ventures	90.1	90.1	93.2	93.2
Renewal expenses	(278.4)	(278.4)	(272.4)	(272.4)
Other non-current expenses and restructuring costs	(150.1)	(150.1)	(133.5)	(133.5)
Financial items (current cash financial expense, and operating cash flow from financing activities)	(403.2)	(403.2)	(416.7)	(416.7)
Interest related to IFRIC 12 operating assets	-	(94.1)	-	(90.3)
Taxes paid	(223.9)	(223.9)	(228.7)	(228.7)
Net free cash flow before dividend payment, financial investments and financial divestitures	856.4	856.4	969.6	969.6
Dividends paid	(582.7)	(582.7)	(590.9)	(590.9)
Net financial investments	118.2	118.2	(500.8)	(500.8)
Change in receivables and other financial assets	139.7	139.7	273.0	273.0
VE capital increase (excluding per share dividend distribution)	12.2	12.2	(22.0)	(22.0)
Issue / repayment of deeply subordinated securities	-	-	17.6	17.6
Free cash flow	**543.8**	**543.8**	**146.5**	**146.5**
Effect of foreign exchange rate movements and other	(402.4)	(402.4)	212.1	212.1
Change	**141.4**	**141.4**	**358.6**	**358.6**
Opening net financial debt	(8,311.1)	(8,311.1)	(8,169.7)	(8,169.7)
CLOSING NET FINANCIAL DEBT	(8,169.7)	(8,169.7)	(7,811.1)	(7,811.1)

Group's post-tax return on capital employed (ROCE):

(in € million)	Current EBIT after tax (excluding IFRIC 12)	Average capital employed (including IFRIC 12)	Post-tax ROCE
2015	1,108.1	15,950.6	7.0%
2016	**1,172.6**	**15,835.8**	**7.4%**

Group's pre-tax return on capital employed (ROCE):

(in € million)	Current EBIT before tax (excluding IFRIC 12) *	Average capital employed (including IFRIC 12)	Pre-tax ROCE
2015	1,216.6	13,801.7	8.8%
2016	**1,289.7**	**13,704.4**	**9.4%**

* *Before share of net income or loss of equity-accounted entities.*

3.8.3 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 (PP&E, intangible assets and operating financial assets);
- impacts relating to the application of IFRS 2 Share-based payment;
- share acquisition costs.

Current net income is defined as the sum of the following items:

- current EBIT;
- current net finance expenses, that include current cost of net financial debt and other current financial income and expenses, including capital gains or losses on financial divestitures (including gains or losses included in the share of net income of equity-accounted entities);
- current tax items; and
- minority interests (excluding the portion of minority interests relative to non-current items in the income statement).

Current net income earnings per share is defined as the ratio of current net income (not restated for the cost of the coupon attributable to hybrid debt holders) by the weighted average number of outstanding shares during the year.

Net industrial investments, as presented in the statement of changes in net financial debt, include industrial investments (purchases of intangible assets and property, plant and equipment, and operating financial assets), net of industrial asset divestitures.

The Group considers **discretionary growth investments**, which generate additional cash flows, separately from **maintenance-related investments**, which reflect the replacement of equipment and installations used by the Group as well as investments relating to contractual obligations.

Net financial investments, as presented in the statement of changes in net financial debt, include financial investments, net of financial divestitures.

Financial investments include purchases of financial assets, including the net financial debt of companies entering the scope of consolidation, and partial purchases resulting from transactions with shareholders where there is no change in control.

Financial divestitures include 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 expense, 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 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 represented for tax effects on non-current items;
- average capital employed in the year, including operating financial assets and investments in joint ventures and associates.

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

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

On February 23, 2017, the Company issued a press release on its results for 2016.

The Board of Directors of Veolia Environnement decided on March 7, 2017, at the recommendation of its Nominations Committee, to propose the renewal by the Combined General Meeting of April 20, 2017 of the terms of office as director of the Caisse des dépôts et des consignations represented by Mr. Olivier Mareuse, Mrs. Marion Guillou and Mr. Paolo Scaroni for a period of four years expiring at the end of the 2021 Ordinary General Meeting held to approve the financial statements for the year ending December 31, 2020.

4

FINANCIAL STATEMENTS

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

4.1 Consolidated financial statements AFR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position-Assets

(€ million)		As of December 31, 2015 re-presented [(1)]	As of December 31, 2016
Goodwill	Note 7.1	4,619.6	4,850.2
Concession intangible assets	Note 7.2.1	3,919.3	3,775.6
Other intangible assets	Note 7.2.2	918.0	1,012.7
Property, plant and equipment	Note 7.3	6,820.3	7,177.2
Investments in joint ventures	Note 5.2.4	2,155.8	1,642.6
Investments in associates	Note 5.2.4	461.8	723.4
Non-consolidated investments		52.9	88.0
Non-current operating financial assets	Note 5.4	1,734.2	1,554.1
Non-current derivative instruments - Assets	Note 8.3	58.9	43.2
Other non-current financial assets	Note 8.1.2	758.4	385.6
Deferred tax assets		1,246.3	1,211.1
Non-current assets		**22,745.5**	**22,463.7**
Inventories and work-in-progress	Note 5.3	757.7	719.6
Operating receivables	Note 5.3	8,797.2	8,686.0
Current operating financial assets	Note 5.4	162.3	141.6
Other current financial assets	Note 8.1.2	215.7	284.7
Current derivative instruments - Assets	Note 8.3	72.8	78.4
Cash and cash equivalents	Note 8.1.3	4,176.3	5,521.4
Assets classified as held for sale *		175.8	53.8
Current assets		**14,357.8**	**15,485.5**
TOTAL ASSETS		37,103.3	37,949.2

* *As of December 31, 2015, assets classified as held for sale concerned notably Aton in Italy in the amount of €126.0 million. As of December 31, 2016, they concern assets from West Coast (Los Angeles) in the amount of €53.8 million.*

(1) *See Note 1.2.4 - IFRIC 12 clarification*

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

Consolidated Statement of Financial Position – Equity and Liabilities

(€ million)		As of December 31, 2015 re-presented (1)	As of December 31, 2016
Share capital	Note 9.2	2,816.8	2,816.8
Additional paid-in capital		7,165.6	7,161.2
Reserves and retained earnings attributable to owners of the Company		(1,982.0)	(2,228.8)
Total equity attributable to owners of the Company	**Note 9.2**	**8,000.4**	**7,749.2**
Total equity attributable to non-controlling interests	Note 9.3	1,129.9	1,127.3
Equity		**9,130.3**	**8,876.5**
Non-current provisions	Note 10	2,068.1	2,123.7
Non-current borrowings	Note 8.1.1	8,022.3	8,344.0
Non-current derivative instruments - Liabilities	Note 8.3	114.7	122.4
Concession liabilities - non current	Note 5.5	1,475.7	1,399.2
Deferred tax liabilities		1,117.1	1,079.8
Non-current liabilities		**12,797.9**	**13,069.1**
Operating payables	Note 5.3	10,070.6	10,199.9
Concession liabilities - current	Note 5.5	112.0	119.8
Current provisions	Note 10	479.1	559.4
Current borrowings	Note 8.1.1	4,000.1	4,759.7
Current derivative instruments - Liabilities	Note 8.3	87.6	118.0
Bank overdrafts and other cash position items	Note 8.1.3	318.6	246.8
Liabilities directly associated with assets classified as held for sale		107.1	-
Current liabilities		**15,175.1**	**16,003.6**
TOTAL EQUITY AND LIABILITIES		**37,103.3**	**37,949.2**

(1) See Note 1.2.4 - IFRIC 12 clarification

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

CONSOLIDATED INCOME STATEMENT

(€ million)		2015 re-presented [1]	2016
Revenue	**Note 5.1**	**24,964.8**	**24,390.2**
Cost of sales		(20,711.7)	(20,156.2)
Selling costs		(579.3)	(593.7)
General and administrative expenses		(2,389.9)	(2,255.8)
Other operating revenue and expenses		(181.7)	(309.1)
Operating income before share of net income (loss) of equity-accounted entities	**Note 5.2**	**1,102.2**	**1,075.4**
Share of net income (loss) of equity-accounted entities		**98.7**	**94.2**
o/w share of net income (loss) of joint ventures	Note 5.2.4	73.1	66.8
o/w share of net income (loss) of associates	Note 5.2.4	25.6	27.4
Operating income after share of net income (loss) of equity-accounted entities		**1,200.9**	**1,169.6**
Net finance costs	Note 8.4.1	(445.9)	(423.6)
Other financial income and expenses	Note 8.4.2	(66.2)	(94.6)
Pre-tax net income (loss)		**688.8**	**651.4**
Income tax expense	Note 11.1	(196.5)	(192.7)
Share of net income (loss) of other equity-accounted entities	Note 5.2.4	45.9	27.4
Net income (loss) from continuing operations		538.2	486.1
Net income (loss) from discontinued operations		-	-
Net income (loss) for the year		538.2	486.1
Attributable to owners of the Company		**437.7**	**383.1**
Attributable to non-controlling interests	Note 9.2	100.5	103.0
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE [2]			
Diluted		0.67	0.55
Basic		0.67	0.57
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE [2]			
Diluted		0.67	0.55
Basic		0.67	0.57
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE [2]			
Diluted		-	-
Basic		-	-

(1) See Note 1.2.4 – IFRIC 12 clarification

(2) Earnings per share for the year ended December 31, 2015 and 2016 are calculated in accordance with the method disclosed in Note 9.5, Earnings per share

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ million)	2015 re-presented [1]	2016
Net income (loss) for the year	**538.2**	**486.1**
Actuarial gains or losses on pension obligations	(2.7)	(97.2)
Income tax expense	0.6	24.7
Amount net of tax	(2.1)	(72.5)
Other items of comprehensive income not subsequently released to net income	**(2.1)**	**(72.5)**
o/w attributable to joint ventures	***5.9***	***(0.2)***
o/w attributable to associates	***(0.3)***	***(3.2)***
Fair value adjustments on available-for-sale assets	0.3	(2.6)
Income tax expense	0.1	-
Amount net of tax	0.4	(2.6)
Fair value adjustments on cash flow hedge derivatives	49.8	(9.9)
Income tax expense	(7.3)	(11.5)
Amount net of tax	42.5	(21.4)
Foreign exchange gains and losses:		
• on the translation of the financial statements of subsidiaries drawn up in a foreign currency	219.0	(72.5)
Amount net of tax	219.0	(72.5)
• on the net financing of foreign operations	(121.6)	(33.7)
• income tax expense	0.3	(0.2)
Amount net of tax	(121.3)	(33.9)
Other items of comprehensive income subsequently released to net income	**140.6**	**(130.4)**
o/w attributable to joint ventures [2]	***98.4***	***(61.6)***
o/w attributable to associates	***16.7***	***4.1***
Total Other comprehensive income	**138.5**	**(202.9)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**676.7**	**283.2**
Attributable to owners of the Company	537.9	202.5
Attributable to non-controlling interests	138.8	80.7

(1) See Note 1.2.4 - IFRIC 12 clarification

(2) The share attributable to joint ventures mainly concerns :

- *As of December 31, 2016: the fluctuation of foreign exchange translation reserves of the Chinese concessions (-€65.6 million).*
- *As of December 31, 2015: the fluctuation of foreign exchange translation reserves of the Chinese concessions (+€92.4 million).*

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

CONSOLIDATED CASH FLOW STATEMENT

(€ million)	Notes	**2015 re-presented** (1)	**2016**
Net income (loss) for the period		**538.2**	**486.1**
Net income (loss) from continuing operations		**538.2**	**486.1**
Net income (loss) from discontinued operations		-	-
Operating depreciation, amortization, provisions and impairment losses		1,463.1	1,597.3
Financial amortization and impairment losses		(3.8)	19.9
Gains (losses) on disposal of operating assets		(4.3)	(29.1)
Gains (losses) on disposal of financial assets		(60.5)	(57.6)
Share of net income (loss) of joint ventures	Note 5.2.4	(119.0)	(66.8)
Share of net income (loss) of associates	Note 5.2.4	(25.6)	(54.8)
Dividends received	Note 8.4.2	(3.6)	(8.1)
Net finance costs	Note 8.4.1	445.9	423.6
Income tax expense	Note 11	196.5	192.7
Other items		148.8	135.8
Operating cash flow before changes in operating working capital		**2,575.7**	**2,639.0**
Change in operating working capital requirements	Note 5.3	203.3	270.4
Change in concession working capital requirements		(91.3)	(112.0)
Income taxes paid		(223.9)	(228.7)
Net cash from operating activities of continuing operations		**2,463.8**	**2,568.7**
Net cash from (used in) operating activities of discontinued operations		-	**(12.8)**
Net cash from operating activities		**2,463.8**	**2,555.9**
Industrial investments, net of grants		(1,347.3)	(1,353.5)
Proceeds on disposal of industrial assets		105.9	85.8
Purchases of investments	Note 3.2	(146.6)	(797.8)
Proceeds on disposal of financial assets	Note 3.2	321.9	281.7
Operating financial assets			
New operating financial assets	Note 5.4	(120.3)	(113.4)
Principal payments on operating financial assets	Note 5.4	173.1	201.2
Dividends received (including dividends received from joint ventures and associates)		90.1	93.2
New non-current loans granted		(101.7)	(123.8)
Principal payments on non-current loans		220.2	67.8
Net decrease/increase in current loans		21.1	329.0
Net cash used in investing activities of continuing operations		**(783.6)**	**(1,329.8)**
Net cash used in investing activities of discontinued operations		-	-
Net cash used in investing activities		**(783.6)**	**(1,329.8)**
Net increase (decrease) in current borrowings	Note 8.1.1	170.3	(547.1)

(1) See Note 1.2.4 - IFRIC 12 clarification

(€ million)	Notes	2015 re-presented [1]	2016
New non-current borrowings and other debts	Note 8.1.1	467.1	2,049.9
Principal payments on non-current borrowings and other debts	Note 8.1.1	(206.1)	(176.2)
Change in liquid assets and financing financial assets	Note 8.1.1	-	(9.0)
Proceeds on issue of shares	Note 9.2	17.7	14.5
Share capital reduction		-	-
Transactions with non-controlling interests: partial purchases		(106.3)	(5.3)
Transactions with non-controlling interests: partial sales		-	0.4
Proceeds on issue of deeply subordinated securities		-	-
Coupons on deeply subordinated securities	Note 9.4	(71.5)	(68.8)
Purchases of/proceeds from treasury shares	Note 9.2	0.2	(22.0)
Dividends paid	Note 9.2	(512.0)	(521.7)
Interest paid	Note 8.4.1	(519.3)	(521.3)
Net cash from (used in) financing activities of continuing operations		***(759.9)***	***193.4***
Net cash from financing activities of discontinued operations		-	-
Net cash from (used in) financing activities		**(759.9)**	**193.4**
Effect of foreign exchange rate changes and other		5.2	(2.6)
Increase (decrease) in external net cash of discontinued operations		-	-
NET CASH AT THE BEGINNING OF THE YEAR		2,932.2	3,857.7
NET CASH AT THE END OF THE YEAR		3,857.7	5,274.6
Cash and cash equivalents	Note 8.1.3	4,176.3	5,521.4
Bank overdrafts and other cash position items	Note 8.1.3	318.6	246.8
NET CASH AT THE END OF THE YEAR		3,857.7	5,274.6

(1) See Note 1.2.4 - IFRIC 12 clarification

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

STATEMENT OF CHANGES IN EQUITY

(€ million)	Number of shares outstanding	Share capital	Additional paid-in capital	Deeply subordinated securities	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Amount as of January 1, 2015	**562,301,801**	**2,811.5**	**7,165.6**	**1,385.6**	**(436.7)**	**(2,823.7)**	**270.1**	**(60.2)**	**8,312.2**	**1,167.2**	**9,479.4**
Impact of IFRIC 12 clarification		-	-	-	-	(317.9)	-	-	(317.9)	(33.6)	(351.5)
Amount As of December 31, 2015 re-presented [(1)]	**562,301,801**	**2,811.5**	**7,165.6**	**1,385.6**	**(436.7)**	**(3,141.6)**	**270.1**	**(60.2)**	**7,994.3**	**1,133.6**	**9,127.9**
Issues of share capital of the parent company	1,063,022	5.3	11.0	-	-	(4.3)	-	-	12.0	-	12.0
Proceeds on issue of deeply subordinated securities		-	-	-	-	-	-	-	-	-	-
Coupon on deeply subordinated securities		-	-	(71.5)	-	-	-	-	(71.5)	-	(71.5)
Parent company dividend distribution		-	-	-	-	(384.0)	-	-	(384.0)	-	(384.0)
Elimination of treasury shares		-	-	-	0.2	-	-	-	0.2	-	0.2
Share-based payments		-	(11.0)	-	-	21.7	-	-	10.7	-	10.7
Third party share in share capital increases of subsidiaries		-	-	-	-	-	-	-	-	5.7	5.7
Third party share in dividend distributions of subsidiaries		-	-	-	-	-	-	-	-	(128.0)	(128.0)
Transactions with non-controlling interests		-	-	-	-	(88.6)	-	-	(88.6)	(1.2)	(89.8)
Total transactions with non-controlling interests	**1,063,022**	**5.3**	-	**(71.5)**	**0.2**	**(455.2)**	-	-	**(521.2)**	**(123.5)**	**(644.7)**
Other comprehensive income		-	-	-	-	(1.3)	57.0	44.5	100.2	38.3	138.5
Net income for the year		-	-	-	-	437.7	-	-	437.7	100.5	538.2
Total comprehensive income for the period		-	-	-	-	**436.4**	**57.0**	**44.5**	**537.9**	**138.8**	**676.7**
Other movements		-	-	-	-	(10.6)	-	-	(10.6)	(19.0)	(29.6)
Amount As of December 31, 2015 represented [(1)]	**563,364,823**	**2,816.8**	**7,165.6**	**1,314.1**	**(436.5)**	**(3,171.0)**	**327.1**	**(15.7)**	**8,000.4**	**1,129.9**	**9,130.3**
Impact of IFRIC 12 clarification	-	-	-	-	-	330.4	7.5	-	337.9	35.1	373.0
Amount As of December 31, 2015 re-presented [(1)]	**563,364,823**	**2,816.8**	**7,165.6**	**1,314.1**	**(436.5)**	**(2,840.6)**	**334.6**	**(15.7)**	**8,338.3**	**1,165.0**	**9,503.3**

(€ million)	Number of shares outstanding	Share capital	Additional paid-in capital	Deeply subordinated securities	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Amount As of December 31, 2015 re-presented [(1)]	**563,364,823**	**2,816.8**	**7,165.6**	**1,314.1**	**(436.5)**	**(3,171.0)**	**327.1**	**(15.7)**	**8,000.4**	**1,129.9**	**9,130.3**
Issues of share capital of the parent company	-	-	-	-	-	-	-	-	-	-	-
Proceeds on issue of deeply subordinated securities	-	-	-	-	-	-	-	-	-	-	-
OCEANE Equity component	-	-	-	17.6	-	-	-	-	17.6	-	17.6
Coupon on deeply subordinated securities	-	-	-	(68.8)	-	-	-	-	(68.8)	-	(68.8)
Parent company dividend distribution	-	-	(4.4)	-	-	(396.8)	-	-	(401.2)	-	(401.2)
Elimination of treasury shares	-	-	-	-	(21.5)	(0.5)	-	-	(22.0)	-	(22.0)
Share-based payments	-	-	-	-	-	3.3	-	-	3.3	-	3.3
Third party share in share capital increases of subsidiaries	-	-	-	-	-	-	-	-	-	14.5	14.5
Third party share in dividend distributions of subsidiaries	-	-	-	-	-	-	-	-	-	(120.5)	(120.5)
Transactions with non-controlling interests	-	-	-	-	-	(1.9)	-	-	(1.9)	(2.8)	(4.7)
Total transactions with non-controlling interests	-	-	**(4.4)**	**(51.2)**	**(21.5)**	**(395.9)**	-	-	**(473.0)**	**(108.8)**	**(581.8)**
Other comprehensive income	-	-	-	-	-	(70.1)	(83.7)	(26.8)	(180.6)	(22.3)	(202.9)
Net income for the year	-	-	-	-	-	383.1	-	-	383.1	103.0	486.1
Total comprehensive income for the period	-	-	-	-	-	**313.0**	**(83.7)**	**(26.8)**	**202.5**	**80.7**	**283.2**
Other movements	-	-	-	-	-	19.3	-	-	19.3	25.5	44.8
Amount As of December 31, 2016	**563,364,823**	**2,816.8**	**7,161.2**	**1,262.9**	**(458.0)**	**(3,234.6)**	**243.4**	**(42.5)**	**7,749.2**	**1,127.3**	**8,876.5**

(1) *See Note 1.2.4 IFRIC 12 clarification*

A dividend per share of €0.73 was distributed in 2016, compared with €0.70 in 2015.

A dividend distribution of €0.80 per share is proposed to the General Shareholders' Meeting of April 20, 2017.

The total dividend paid recorded in the Consolidated Cash Flow Statement of €522 million and €512 million for the years ended December 31, 2016 and 2015, respectively, breaks down as follows:

(€ million)	**2015 re-presented [1]**	**2016**
Parent company dividend distribution	(384.0)	(401.2)
Third party share in dividend distributions of subsidiaries	(128.0)	(120.5)
Scrip dividend	-	-
TOTAL DIVIDEND PAID	**(512.0)**	**(521.7)**

(1) See Note 1.2.4 - IFRIC 12 clarification.

Notes to the consolidated financial statements

NOTE 1 ACCOUNTING PRINCIPLES AND METHODS

1.1 General principles underlying the preparation of the financial statements

The accounting methods presented in these notes to the consolidated financial statements have been applied consistently for all periods presented in the consolidated financial statements.

The consolidated financial statements are presented on a historical cost basis, with the exception of assets and liabilities held for sale measured in accordance with IFRS 5 and assets and liabilities recognized at fair value: derivatives, financial instruments held for trading, financial instruments designated at fair value and available-for-sale financial instruments (in accordance with IAS 32 and IAS 39).

The Veolia Environnement consolidated financial statements for the year ended December 31, 2016 were adopted by the Board of Directors on February 22, 2017 and will be presented for approval at the General Shareholders' Meeting on April 20, 2017.

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_fr.htm.

In the absence of IFRS standards or interpretations and in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Veolia refers to other IFRS dealing with similar or related issues and the conceptual framework.

The consolidated financial statements are presented in millions of euros, unless stated otherwise.

The consolidated financial statements comprise the financial statements of Veolia Environnement, the entities it controls (its subsidiaries) and the entities equity accounted. The financial statements of subsidiaries are drawn up for the same reference period as those of the parent company, from January 1, to December 31, 2016, in accordance with uniform accounting policies and methods.

1.2.2 Standards, standard amendments and interpretations applicable from fiscal year 2016

The accounting principles and valuation rules applied by the Group in preparing the consolidated financial statements for the year ended December 31, 2016 are identical to those applied by the Group as of December 31, 2015 with the exception of:

- amendments resulting from the IFRS annual improvement process (2012-2014 cycle);
- amendments resulting from the IFRS annual improvement process (2010-2012 cycle);
- amendments to IAS 1, Presentation of Financial Statements, pursuant to the disclosures initiative;
- amendments to IAS 16 and IAS 38, aimed at clarifying acceptable methods of depreciation and amortization;
- amendment to IAS 19, Employee Benefits: employee contribution to defined benefits plan, aimed at simplifying the accounting for contributions that are independent of the number of years of employee service.
- amendment to IFRS 11, Joint Arrangements, providing guidance on how to account for the acquisition of an interest in a joint arrangement.

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

1.2.3 Texts which enter into mandatory effect after December 31, 2016

- IFRS 9, Financial Instruments;
- IFRS 15, Revenue from Contracts with Customers;
- IFRS 16, Leases;
- amendment to IAS 7, Statement of Cash Flows, pursuant to the disclosure initiative;
- amendment to IAS 12, Income Taxes, recognition of deferred tax assets for unrealized losses;
- amendment to IFRS 2 on the classification and measurement of certain share based payment transactions;
- amendments resulting from the IFRS annual improvement process (2014-2016 cycle);
- IFRIC 22, Foreign Currency Transactions and Advance Consideration.

Subject to their definitive adoption by the European Union, these standards and standard amendments are of mandatory application for fiscal years beginning on or after January 1, 2017 or later. The Group is currently assessing the potential impact of the first-time application of these texts.

On May 28, 2014, IASB issued IFRS 15 standard "Revenue form contacts with customers". IFRS 15 introduces a new accounting model for this revenue. It replaces former IAS 11, IAS 18 and IFRIC and SIC standards related to revenue recognition. This standard is applicable for fiscal years beginning on or after January 1, 2018, with earlier application permitted.

The work performed so far pinpointed potential differences induced by the first application of this new standard. The impact of differences will be completed during fiscal year 2017.

1.2.4 IFRIC 12 clarification

On July 12, 2016, the IFRS Interpretations Committee issued clarifications to IFRIC 12, Service Concession Arrangements, concerning the treatment of payments made by an operator to a grantor.

Where payments made by an operator to a grantor do not give a right to a distinct good or service or a right of use that meets the definition of a lease, and where the intangible asset model is applied, fixed payments to be made under the concession arrangement are recognized as an intangible asset representing the right to charge users of the public service through a concession liability, in the amount of the present value of amounts payable over the term of the concession arrangement.

On the publication of these clarifications, the Group launched an inventory and analysis of its concession arrangements in order to identify the existence of any payments concerned by the clarifications to IFRIC 12.

The main concession arrangements identified by this review are located in the Czech Republic and Slovakia, and particularly in the Water businesses and concern contracts accounted for using the intangible asset model. IFRIC 12 clarification has no impact on contracts managed by the Group and relating to financial asset model.

The Group consolidated financial statements for the year ended December 31, 2015 were therefore re-presented to take account of the amendments resulting from these new provisions and two new balance sheet headings were created to reflect the debt resulting from the application of this clarification : non-current and current concession liabilities.

As a reminder, the impact on equity as of January 1, 2015 totals €351.5 million.

The impacts can be summarized as follows:

(€ million)	**As of December 31, 2015 as disclosed**	**I12 Payments to the grantor**	**As of December 31, 2015 re-presented**
Concession intangible assets	2,796.4	1,122.9	3,919.3
Deferred tax assets	1,154.5	91.8	1,246.3
Other non-current assets	17,579.9	0.0	17,579.9
Total Non-current assets	**21,530.8**	**1,214.7**	**22,745.5**
Current assets	**14,357.8**	**0.0**	**14,357.8**
TOTAL ASSETS	35,888.6	1,214.7	37,103.3
Reserves and retained earnings attributable to owners of the Company	(1,644.1)	(337.9)	(1,982.0)
Other equity attributable to owners of the Company	9,982.4	0.0	9,982.4
Total equity attributable to non-controlling interests	1,165.0	(35.1)	1,129.9
Equity	**9,503.3**	**(373.0)**	**9,130.3**
Concession liabilities - non-current	0.0	1,475.7	1,475.7
Other non-current liabilities	11,322.2	0.0	11,322.2
Non-current liabilities	**11,322.2**	**1,475.7**	**12,797.9**
Operating payables - current	10,070.6	0.0	10,070.6
Concession liabilities - current	0.0	112.0	112.0
Other current liabilities	4,992.5	0.0	4,992.5
Current liabilities	**15,063.1**	**112.0**	**15,175.1**
TOTAL EQUITY AND LIABILITIES	35,888.6	1,214.7	37,103.3

(€ million)	2015 As disclosed	I12 Accounting changes impact	2015 re-presented
Revenue	24,964.8	-	24,964.8
Operating income after share of net income (loss) of equity-accounted entities	1,122.9	78.0	1,200.9
Pre-tax net income (loss)	704.9	(16.1)	688.8
Net income	551.3	(13.1)	538.2
Attributable to owners of the Company	450.2	(12.5)	437.7

1.3 Translation of foreign subsidiaries' financial statements

Statements of financial position, income statements and cash flow statements of subsidiaries whose functional currency is different from the presentation currency of the Group are translated into the presentation currency at the applicable rate of exchange (i.e. the year-end rate for statement of financial position items and the average annual rate for income statement and cash flow items). Foreign exchange translation gains and losses are recorded in other comprehensive income in equity. The exchange rates of the major currencies of non-euro countries used in the preparation of the consolidated financial statements were as follows:

Year-end exchange rate *(one foreign currency unit = €xx)*	**As of December 31, 2015**	**As of December 31, 2016**
U.S. Dollar	0.9185	0.9487
Pound sterling	1.3625	1.1680
Chinese renminbi	0.1416	0.1363
Australian dollar	0.6713	0.6851
Polish zloty	0.2345	0.2267
Argentinian Peso	0.0709	0.0595
Mexican Peso	0.0529	0.0459
Brazilian Real	0.2319	0.2915
Czech crown	0.0370	0.0370

Average annual exchange rate *(one foreign currency unit = €xx)*	**Average annual rate 2015**	**Average annual rate 2016**
U.S. Dollar	0.9007	0.9035
Pound sterling	1.3767	1.2213
Chinese renminbi	0.1434	0.1359
Australian dollar	0.6769	0.6717
Polish zloty	0.2391	0.2292
Argentinian Peso	0.0972	0.0612
Mexican Peso	0.0568	0.0484
Brazilian Real	0.2709	0.2589
Czech crown	0.0366	0.0370

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 year.

Loans to a foreign subsidiary, the settlement of which is neither planned nor probable in the foreseeable future represent, in substance, a portion of the Group's net investment in this foreign operation. Foreign exchange gains and losses on monetary items forming part of a net investment are recognized directly in other comprehensive income in foreign exchange translation adjustments and are released to net income on the disposal of the net investment.

Exchange gains and losses on foreign currency-denominated borrowings or on currency derivatives that qualify as hedges of a net investment in a foreign operation, are recognized directly in other comprehensive income as foreign exchange translation adjustments. Amounts recognized in other comprehensive income are released to income on the date of disposal of the relevant investment.

Foreign currency-denominated non-monetary assets and liabilities recognized at historical cost are translated using the exchange rate prevailing as of the transaction date. Foreign currency-denominated non-monetary assets and liabilities recognized at fair value are translated using the exchange rate prevailing as of the date the fair value is determined.

NOTE 2 USE OF MANAGEMENT ESTIMATES IN THE APPLICATION OF GROUP ACCOUNTING STANDARDS

Veolia may be required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosures of contingent assets and liabilities. Future results may be different from these estimates.

Underlying estimates and assumptions are determined based on past experience and other factors considered as reasonable given the circumstances. They act as a basis for making judgments necessary to the determination of the carrying amount of assets and liabilities, which cannot be obtained directly from other sources. Future values could differ from these estimates.

All these estimates are based on organized procedures for the collection of forecast information on future flows, validated by operating management, and on expected market data based on external indicators and used in accordance with consistent and documented methodologies.

Underlying estimates and assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recognized in the period the change is made if it affects this period only and in the period the change is made and prior periods if they are also affected by the change. With regards to Brexit and the outcome of the June 23, 2016 referendum, and beyond the macro-economic effects which still remain uncertain, the Group's exposure to foreign exchange transactional risks appears limited as of December 31, 2016, Group's activities being performed by subsidiaries operating in their own country and their own currency. Concerning the foreign exchange risk on assets, the Group has developed a policy which seeks to back foreign-currency financing and foreign currency derivatives with net foreign investments and 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.

Accounting estimates underlying the preparation of the accounts were made in an uncertain economic and financial environment (volatile financial markets, government austerity measures, fluctuations in commodity prices, etc.) making economic forecasting more difficult. In this context, the consolidated financial statements for the period were prepared based on the current environment, particularly with respect to the estimates presented below.

Estimates made by the Group in preparing the consolidated financial statements primarily concern:

- determining the recoverable amount of goodwill, intangible assets and property, plant and equipment: Note 7 presents future flow assumptions and the discount rates used to measure the recoverable amount of these assets. Sensitivity analyses were also performed and are presented in the aforementioned note;
- measuring provisions and the employee benefit obligation as well as contingent assets and liabilities (Notes 6, 10 and 12): Veolia took account of the best estimate of these obligations when measuring these provisions;
- determining the fair value of financial instruments (Note 8.3) including derivatives; Veolia measured these derivative instruments and performed the necessary efficiency tests;
- the amount of deferred tax assets and liabilities and the tax expense recognized (Note 11.2): these balances represent the tax position of the Group and are based, primarily in France and in the United States, on best estimates available to the Group of results of tax audits in progress and trends in future tax results;
- methods used for determining identifiable assets acquired and liabilities assumed in business combinations.

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

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

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

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

NOTE 3 CONSOLIDATION SCOPE

3.1 Accounting principles relating to the consolidation scope

3.1.1 Consolidation principles

Controlled entities

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

Definition of control

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

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

Full consolidation

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

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

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

Change in ownership interests in consolidated subsidiaries

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

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

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

Investments in joint ventures and associates

Definition

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

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

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

Accounting for joint ventures and associates

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

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

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

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

Impairment tests

The requirements of IAS 39, Financial Instruments: Recognition and Measurement, are applied to determine whether it is necessary to test an investment in an associate or joint venture for impairment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36, Impairment of Assets.

Loss of significant influence or joint control

The equity method is discontinued from the date the investment ceases to be an associate or a joint venture. Where the Group retains a residual interest in the entity and that interest is a financial asset, the financial asset is measured at fair value at the date the investment ceases to be an associate or a joint venture.

Where an investment in an associate becomes an investment in a joint venture, or vice versa, the equity method continues to be applied and the change in ownership interest does not trigger remeasurement to fair value.

Investments in joint operations

Definition

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have direct rights to the assets, and obligations for the liabilities, relating to the arrangement.

Accounting for joint operations

As a joint operator in a joint operation, the Group recognizes in relation to its interest in the joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its expenses, including its share of any expenses incurred jointly.

3.1.2 Transactions impacting the consolidation scope

Business combinations and goodwill

Business combinations are recorded in accordance with the acquisition method as defined in IFRS 3, revised.

Under this method, identifiable assets acquired and liabilities assumed of the acquiree are recorded at fair value at the acquisition date.

The goodwill arising from the business combination is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest and, where applicable, the fair value of any previously held interest, over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

This goodwill is measured in the functional currency of the company acquired and recognized in assets in the Consolidated Statement of Financial Position.

The Group may elect, on an individual transaction basis, at the acquisition date, to measure non-controlling interests either at fair value (full goodwill) or at the share in the fair value of the identifiable net assets of the company acquired (partial goodwill).

Pursuant to IFRS, goodwill is not amortized but is subject to impairment tests performed annually or more frequently where there is evidence calling into question the net carrying amount recorded in assets in the Statement of Financial Position.

Where the terms and conditions of a business combination are advantageous, negative goodwill arises. The corresponding profit is recognized in net income at the acquisition date.

Acquisition-related costs are expensed in the period in which the costs are incurred and the services received.

Pursuant to the provisions of IFRS 3 revised, the Group may finalize the recognition of the business combination during the measurement period. This period ends when all the necessary information has been obtained and no later than one year after the acquisition date.

Assets/liabilities classified as held for sale, discontinued operations

IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, sets out the accounting treatment applicable to assets held for sale and presentation and disclosure requirements for discontinued operations.

The standard notably requires the separate presentation of assets held for sale in the Consolidated Statement of Financial Position at the lower of net carrying amount and fair value less costs to sell, where the criteria set-out in the standard are satisfied.

When the Group is committed to a sales process leading to the loss of control of a subsidiary, all assets and liabilities of that subsidiary are reclassified as held for sale where the standard classification criteria are met, irrespective of whether the Group retains a residual interest in the entity after sale.

In addition, the standard requires the separate presentation in the Consolidated Income Statement of the results of discontinued operations for all comparative periods on a retrospective basis.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or major geographical area of operations or;
- is a subsidiary acquired exclusively with a view to resale.

3.2 Changes in Group structure

Acquisition of Kurion

On March 31, 2016, Veolia Environnement finalized the acquisition of the entire share capital of the US company, Kurion.

The transaction was closed for a total consideration of €316.7 million, comprising a cash payment of €274.4 million and deferred payments of €42.3 million.

Veolia Environnement received vendor warranties totaling €28.7 million, valid for a 7-year period (until March 31, 2023).

In addition, acquisition costs borne by the Group totaled €6.7 million.

With this transaction, Veolia Environnement accesses innovative technologies in nuclear facility cleanup and dismantling and the treatment of low and medium-level radioactive waste.

It also helps Veolia Environnement strengthen its bid to become a leader in the nuclear waste treatment sector and reinforces its leadership in hazardous waste treatment, particularly through synergies that will be developed with its subsidiary SARPI.

Kurion is fully consolidated from the date of acquisition of control in accordance with IFRS 3, Business combinations.

As a result of this acquisition of control, IFRS 3 requires the remeasurement of Kurion's assets and liabilities. Fair value remeasurement procedures focus in particularly on the valuation of the Kurion brand; technologies owned by Kurion and finally, client relationships.

Fair value remeasurement procedures were still ongoing as of December 31, 2016 and will be finalized in the first quarter of 2017.

This acquisition of control impacted the Group consolidated financial statements for the year ended December 31, 2016 as follows:

- Recognition of provisional residual goodwill of €254.5 million;
- Recognition of "Purchases of investments" in the Consolidated Cash Flow Statement, for 316.7 million, corresponding to the consideration transferred.

Acquisition of Chemours' sulfur products assets in the United States

In July 2016, Veolia Environnement finalized the acquisition of Chemours' sulfur products assets in the US.

The transaction consisted of an asset purchase for a consideration of €289.0 million.

Acquisition costs borne by the Group totaled €1.1 million.

Veolia Environnement received vendor warranties totaling €33.2 million (USD 35 million), valid for an 18-month period.

Chemours' sulfur products division specializes in the treatment and recovery of sulfuric acid and gases produced during the refining process, which are regenerated into clean acid and steam used in a wide range of industrial activities.

The transaction offers an excellent complement to Veolia Environnement's existing activities and allows it to reinforce its recovery and regeneration expertise and therefore, circular economy, capabilities and technologies.

Chemours is fully consolidated from the date of acquisition of control in accordance with IFRS 3, Business combinations.

The fair value remeasurement of the assets and liabilities acquired from Chemours, as required by IFRS 3, is ongoing. The measurement and calculation of goodwill will be finalized within the 12 months following the acquisition date.

Bartin Recycling

On July 20, 2016, the Group signed an agreement for the sale of Bartin Recycling, specialized in recovery and recycling of ferrous and non-ferrous metals, to the Derichebourg group. This transaction was closed on November 30, 2016.

Veolia's end-of-life material dismantling and deconstruction business (aircraft, ships, rail rolling stock and industrial facilities) is not concerned by this divestment

Other transactions

The Group also performed less significant acquisitions in the period, and notably:

- The acquisition, on May 31, 2016, of the CDR Pedreira landfill site in Brazil for a consideration of €66 million. This transaction is integral to the Group's business development strategy in Latin America;
- The acquisition, on June 1, 2016, of Prazska Teplarenska LPZ, which owns and operates thermal plants and heating networks in two districts located on the Prague left bank, for an consideration value of €82 million for 100%.

3.3 Transdev/SNCM

The Group's 50% stake in Transdev Group is presented in "Investments in joint ventures" (continuing operations) and equity-accounted since December 31, 2013.

As of June 30, 2016, based on progress with negotiations with Caisse des dépôts et consignations, the 20% stake in Transdev Group to be sold during the second half of the year was fixed and reclassified in "Assets classified as held for sale" in accordance with IFRS 5. The residual 30% stake in Transdev Group continued to be accounted for under the equity method.

On December 21, 2016, the Group and Caisse des dépôts et consignations finalized their agreements providing for:

- an initial immediate divestment by the Group of 20% of the share capital for a consideration of €220 million;
- the divestment of the residual 30% interest within a maximum of two years, with the Group undertaking to seek out a third-party buyer during this period.

These operations have been performed at a price based on the initial valuation of €550 million for 50% of the share capital, and revised, as appropriate, depending on mechanisms of adjustments provided in the agreements.

At the end of this two-year period, Veolia holds a put option with Caisse des Dépôts et consignations at the initial valuation price. Similarly, Caisse des Dépôts holds a call option at the same price.

Furthermore, in the context of the finalization of these agreements, the Group acquired Transdev's investment in SNCM for a total consideration of four euros.

The Group also confirmed the continuation of the vendor warranties concerning SNCM granted to Caisse des dépôts et consignations on signature of the agreements of May 4, 2010. The only warranty still effective concerns the three SNCM appeals (State assistance, cancellation of the Public Service Delegation arrangement, abuse of a dominant position with CMN). The Group also granted a compensation commitment valid until December 31, 2019, covering Caisse des dépôts et consignations against any loss suffered directly or indirectly through Transdev, relating to SNCM. Finally, the Group has also undertaken in the event of the sale of the residual 30% stake to a third party, to grant this party at its request, a compensation commitment covering any assistance to be repaid to the Greater Paris regional council.

On signature of the agreements, the Transdev governance rules were adapted and the Group now exercises only significant influence over Transdev. This did not impact the accounting method for the residual stake which continues to be accounted for under the equity method as of December 31, 2016.

As of December 31, 2016, the recognition of the initial divestment of 20% of Transdev Group resulted in the recognition of a gain on disposal of €25.6 million in the Group consolidated financial statements.

The Group's residual 30% stake in this company remains accounted for under the equity method in the amount of €285.1 million as of December 31, 2016.

3.4 Off-balance sheet commitments relating to the consolidation scope

3.4.1 Commitments given

Off-balance sheet commitments given break down as follows:

			Maturing in		
(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016	Less than 1 year	1 to 5 years	More than 5 years
Vendor warranties	851.6	775.2	163.1	80.2	531.9
Securities purchase commitments	1.2	1.7	1.2	0.3	0.2
Sale commitments	0.3	0.3	0.3	-	-
Other commitments relating to the consolidated scope	39.7	38.5	25.9	12.1	0.5
TOTAL COMMITMENTS RELATING TO THE CONSOLIDATED SCOPE	**892.8**	**815.7**	**190.5**	**92.6**	**532.6**

Vendor warranties primarily comprise:

- warranties given on the divestiture of the investment in Berlin Water in the amount of €484.0 million;
- warranties given on the divestiture in 2004 of Water activities in the United States in the amount of €118.5 million;
- warranties given on the divestiture of the Group's activities in Israel in the amount of €49.7 million;
- warranties given on the divestiture of American and European wind energy activities in the amount of €39.7 million ;
- warranties given to EDF in connection with the Dalkia redistribution transaction, estimated at €25.0 million.

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

Agreements with Caisse des dépôts et consignations: As described in Note 3.3, agreements signed on December 21, 2016 include cross options covering its residual stake in Transdev Group. These options expire at the end of February 2019.

Furthermore, in the context of Transdev withdrawal, the Group has granted to Caisse des dépôts et consignations some warranties concerning SNCM (see also Note 3.3).

3.4.2 Commitments received

Commitments received relating to the consolidated scope total €241.1 million as of December 31, 2016, compared with €175.4 million as of December 31, 2015.

The increase in commitments received between December 31, 2015 and December 31, 2016 is mainly due to:

- vendor warranties relating to the acquisition of Kurion (€28.7 million);
- vendor warranties relating to the acquisition of Chemours (€33.2 million);
- vendor warranties received on the acquisition of Prague Rive Gauche (€82.3 million);
- the termination of the vendor warranties given by CDC in respect of the Transdev transaction (-€70.0 million).

NOTE 4 REPORTING BY OPERATING SEGMENT

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

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

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

- France;
- Europe excluding France;
- Rest of the World;
- Global Businesses;
- Other, including the various Group holding companies.

The main financial aggregates, in Group share, are also presented for the Chinese Water concessions.

The main financial indicators by operating segment are as follows:

2016 (€ million)	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total consolidated financial statements	Joint-ventures Data in Group share: Chinese Water concessions
Revenue	5,417.7	8,286.3	6,028.4	4,626.2	31.6	**24,390.2**	714.3
EBITDA*	763.2	1,346.1	864.8	262.7	21.6	**3,258.4**	155.8
Operating income after share of net income (loss) of equity-accounted entities	67.2	644.1	436.4	57.1	(35.2)	**1,169.6**	81.0
Industrial investments net of subsidies	(311.5)	(519.5)	(396.6)	(103.6)	(22.3)	**(1,353.5)**	(62.9)

* *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 reimbursements of OFAS.*

2015 (€ 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	5,471.5	8,574.7	5,926.1	4,881.0	111.5	**24,964.8**	729.8
EBITDA*	828.5	1,274.3	808.1	225.8	45.9	**3,182.6**	154.8
Operating income after share of net income (loss) of equity-accounted entities	167.3	546.0	454.3	63.6	-30.3	**1,200.9**	66.9
Industrial investments net of subsidies	(303.6)	(554.8)	(352.0)	(115.7)	(21.2)	**(1,347.3)**	(104.9)

* *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 reimbursements of OFAS.*

Assets and liabilities break down by operating segment as follows:

As of December 31, 2016 Assets by operating segment (*€ million*)	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total consolidated financial statements	Joint-ventures Data in Group share: Chinese Water concessions
Goodwill, net	1,214.2	2,154.6	716.7	761.5	3.2	**4,850.2**	279.4
Intangible assets and Property, Plant and equipment, net	1,939.0	5,525.3	3,682.1	692.8	126.3	**11,965.5**	1,979.4
Operating financial assets	82.7	991.8	601.5	19.7	-	**1,695.7**	9.1
Working capital assets, including DTA	2,750.5	2,654.0	2,460.6	2,632.0	119.6	**10,616.7**	260.4
Investments in joint ventures	9.6	9.0	1,595.1	28.1	0.8	**1,642.6**	-
Investments in associates	(1.6)	241.1	122.8	76.0	285.1	**723.4**	3.8
Total segment assets	**5,994.4**	**11,575.8**	**9,178.8**	**4,210.1**	**535.0**	**31,494.1**	**2,532.1**
Other unallocated assets					6,455.1	6,455.1	(772.2)
TOTAL ASSETS						**37,949.2**	**1,759.9**

As of December 31, 2015 re-presented Assets by operating segment *(€ million)*	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total consolidated financial statements	Joint-ventures Data in Group share Chinese Water concessions
Goodwill, net	1,183.9	2,235.8	703.6	487.9	8.4	**4,619.6**	267.9
Intangible assets and Property, Plant and equipment, net	1,932.2	5,820.7	3,112.4	656.6	135.7	**11,657.6**	2,088.4
Operating financial assets	98.0	1,042.9	705.8	49.8	-	**1,896.5**	11.7
Working capital assets, including DTA	2,793.3	2,750.7	2,319.9	2,619.0	318.3	**10,801.2**	262.7
Investments in joint ventures	10.8	10.2	1,677.8	20.6	436.4	**2,155.8**	-
Investments in associates	7.1	265.1	104.1	78.8	6.7	**461.8**	3.9
Total segment assets	6,025.3	12,125.4	8,623.6	3,912.7	905.5	31,592.5	2,634.6
Other unallocated assets					5,510.8	5,510.8	(819.7)
TOTAL ASSETS						37,103.3	1,814.9

As of December 31, 2016 Liabilities by operating segment *(€ million)*	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total consolidated financial statements	Joint-ventures Data in Group share Chinese Water concessions
Concession liabilities	87.9	1,417.9	13.2	-	-	**1,519.0**	28.7
Provisions for contingencies and losses	663.4	718.5	548.1	456.6	296.5	**2,683.1**	26.5
Working capital liabilities, including DTL	3,475.4	2,502.2	2,419.3	2,429.6	453.2	**11,279.7**	746.4
Total segment liabilities	4,226.7	4,638.6	2,980.6	2,886.2	749.7	15,481.8	801.6
Other unallocated liabilities					22,467.4	**22,467.4**	958.3
TOTAL LIABILITIES						37,949.2	1,759.9

As of December 31, 2015 re-presented Liabilities by operating segment *(€ million)*	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total consolidated financial statements	Joint-ventures Data in Group share Chinese Water concessions
Concession liabilities	61.0	1,511.5	15.2	-	-	**1,587.7**	30.6
Provisions for contingencies and losses	616.4	686.0	525.9	407.1	311.8	**2,547.2**	26.2
Working capital liabilities, including DTL	3,500.7	2,616.3	2,206.6	2,420.7	443.4	**11,187.7**	716.3
Total segment liabilities	4,178.1	4,813.8	2,747.7	2,827.8	755.2	15,322.6	773.1
Other unallocated liabilities					21,780.7	**21,780.7**	1,041.8
TOTAL LIABILITIES						37,103.3	1,814.9

The EBITDA indicator reconciles with the operating cash flow, for fiscal years 2016 and 2015, as follows:

(€ million)		2015	2016
Operating cash flow before changes in working capital	**(A)**	**2,575.7**	**2,639.0**
o/w Operating cash flow from financing activities	**(B)**	0.6	3.2
o/w Adjusted operating cash flow	**(C)= (A)-(B)**	**2,575.1**	**2,635.8**
Less :	**(D)**	-	-
Renewal expenses		278.4	272.4
Impairment - working capital - non current		-	14.3
Restructuring costs*		150.1	119.2
Share acquisition and disposal costs		6.0	15.5
Plus :	**(E)**	-	-
Principal payments on operating financial assets		173.1	201.2
EBITDA**	**(C)+(D)+(E)**	**3,182.6**	**3,258.4**

* *In 2016, restructuring costs were primarily recognized in Veolia Environment, VWT, in the United States and in France Waste. In 2015, restructuring costs mainly concerned France Water segment.*

** *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 reimbursements of OFAS.*

NOTE 5 OPERATING ACTIVITIES

Environmental management services provided by Veolia include drinking water treatment and distribution services, waste water and sanitation services, and waste management and Energy business. They also encompass the design, construction and, where applicable, funding of necessary facilities to supply such services which are provided to industrial and service sector companies, public authorities and private individuals.

The range of business models used by the Group results in a variety of contractual forms specific to each business and adapted to local jurisdiction constraints and the nature and needs of customers (public or private).

The Group primarily conducts its activities under concession, construction (non-concession), lease and operation and maintenance contracts.

Concession arrangements (IFRIC 12)

In the conduct of activities, Veolia provides collective general interest services (distribution of drinking water and heating, household waste collection and/or treatment, etc.). These services are generally managed by Veolia under contracts entered into at the request of public sector bodies, which retain control over these collective services.

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

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

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

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

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

Water

Veolia manages municipal drinking water and/or waste water services, which are described in Chapter 1 Section 1.3 of the Registration Document.

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

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

Waste

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

Energy

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

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

In Eastern Europe, Veolia provides services under mixed partial privatizations or through public-private partnerships with local authorities responsible for the production and distribution of thermal energy.

The characteristics of these contracts vary significantly depending on the country and activities concerned.

"Financial asset model"

The Group applies the financial asset model for the accounting recognition of these concession arrangements, when the concession grantor contractually guarantees the payment of amounts specified or determined in the contract or the shortfall, if any, between amounts received from users of the public service and amounts specified or determined in the contract.

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

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

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

Pursuant to IAS 39, an impairment loss is recognized if the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial EIR.

Revenue associated with this financial model includes:

- revenue recorded on a completion basis, in the case of construction operating financial assets (in accordance with IAS 11);
- the remuneration of the operating financial asset recorded in Revenue from operating financial assets (excluding principal payments);
- service remuneration.

"Intangible asset model"

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

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

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

Under the intangible asset model, Revenue includes:

- revenue recorded on a completion basis for assets and infrastructure under construction (in accordance with IAS 11);
- service remuneration.

"Mixed or bifurcation model"

The choice of the financial asset or intangible asset model depends on the existence of payment guarantees granted by the concession grantor.

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

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

Regulated activities

Veolia provides drinking water and heating production and distribution services in certain legal jurisdictions where the public authorities have performed privatizations. Accordingly, Veolia owns the production and/or distribution of assets but remains subject to pricing regulations imposed by public authorities.

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

Revenue from these activities is recognized in accordance with IAS 18.

Construction contracts (IAS 11)

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

This type of contract is often used for design and build contracts for infrastructure necessary for water treatment/distribution and wastewater treatment activities.

Veolia recognizes income and expenses associated with construction contracts in accordance with the percentage of completion method defined in IAS 11.

These contracts are entered into with local authorities or private partners for the construction of infrastructures. They are generally fixed-price contracts as defined by IAS 11. Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably.

A breakdown of the recognition of construction contracts is presented in Note 5.6.

Service contracts including an asset lease (IFRIC 4)

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

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

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

Accordingly, construction revenue is recognized in accordance with the percentage of completion method and, more generally, the principles set out in IAS 11.

The service invoiced to the customer includes a component representing the operation of the specific asset/installation concerned and a second component representing the financing of the construction:

- revenue relating to the operation of the asset is recognized on delivery of the goods or performance of the service, in accordance with IAS 18;
- the financing of construction work involves finance costs that are invoiced to the customer and recognized in Revenue, under the heading “Revenue from operating financial assets”. This interest is recognized in Revenue from the start of construction work and represents remuneration received by the builder/lender.

Operation and maintenance contracts

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

Accordingly, Veolia operates waste-to-energy plants, water production and/or distribution installations and heating networks under this type of contract recognized in accordance with IAS 18.

5.1 Revenue

Revenue represents sales of goods and services measured at the fair value of the consideration received or receivable.

Revenue from the sales of goods or services is recognized when the requisite conditions set out in IAS 18 are satisfied.

Sales of services

The provision of services represents the majority of Group activities such as the processing of waste, water distribution and related services, network operation and Energy business (heat distribution and thermal services).

Revenue from these activities is recognized when the service is rendered and it is probable that the economic benefits will flow to Group entities.

These activities involve the performance of a service agreed contractually (nature, price) with a public sector or industrial customer, within a set period. Billing is therefore based on the waste tonnage processed/incinerated, the volume of water distributed or the thermal power delivered, multiplied by the contractually agreed price.

It should be noted that fees and taxes collected on behalf of local authorities are excluded from Revenue when the Group does not bear the risk of payment default by third parties.

Buildings

Construction contracts mainly concern the design and construction of the infrastructures necessary for water treatment and distribution and wastewater treatment activities.

The related revenue is recognized in accordance with IAS 11, "Construction Contracts". To a lesser extent, the majority of Group concession agreements also include a construction phase (see above).

Sales of goods

Sales of goods mainly concern the sale of technological procedures and solutions relating to the treatment of water (drinking water and wastewater treatment) in Veolia Water Technologies (VWT) and sales of products related to recycling activities in the Waste business.

Revenue relating to these sales is recognized on physical delivery of the goods, which represents the transfer of the inherent risks of ownership of these goods.

As for other Income Statement headings, Revenue does not include amounts relating to discontinued operations in accordance with IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations". The results of these activities are presented in a separate line, "Net income (loss) from discontinued operations", for fiscal year 2016 and fiscal year 2015 presented for comparison purposes (see Note 3.4).

Revenue breaks down as follows:

(€ million)	**2015 re-presented**	**2016**
Sales of services	19,498.9	19,237.4
Construction	3,579.9	3,161.7
Sales of goods	1,722.6	1,844.5
Revenue from operating financial assets	163.4	146.6
REVENUE	**24,964.8**	**24,390.2**

Sales of services are primarily generated in Europe excluding France (€7,358.9 million), France (€4,552.0 million) and the Rest of the World (€5,613.2 million).

Sales of goods are primarily generated in France (€550.6 million), Germany (€467.2 million) and the United Kingdom (€225.9 million) and by the Global Businesses (€370.5 million).

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

5.2 Operating income

Operating income is calculated as follows:

(€ million)	2015 re-presented	2016
Revenue	**24,964.8**	**24,390.2**
Cost of sales	**(20,711.7)**	**(20,156.2)**
o/w :		
• Renewal expenses	(278.4)	(272.4)
Selling costs	**(579.3)**	**(593.7)**
General and administrative expenses	**(2,389.9)**	**(2,255.8)**
Other operating revenue and expenses	**(181.7)**	**(309.1)**
o/w :		
• Impairment losses on goodwill of fully-consolidated companies	0.7	3.2
• Impairment losses on equity-accounted companies	(18.9)	-
• Restructuring costs	(80.8)	(184.5)
• Employee costs - share based payments	(10.7)	(4.7)
• Net impairment losses on intangible assets, property, plant and equipment and operating financial assets	(68.0)	(111.8)
• Share acquisition costs	(4.0)	(11.3)
Operating income before share of net income (loss) of equity-accounted entities	**1,102.2**	**1,075.4**
Share of net income (loss) of equity-accounted entities	**98.7**	**94.2**
Operating income after share of net income (loss) of equity-accounted entities	**1,200.9**	**1,169.6**

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. Where such indication exists, the recoverable amount of the asset or group of assets is estimated.

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

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

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

The main impairment losses on non-current assets recognized as of December 31, 2016 break down as follows:

- impairment losses on goodwill of +€3.2 million ;
- impairment losses on intangible assets and property, plant and equipment and operating financial assets of -€111.8 million, recognized particularly in the following operating segments:
  - Europe excluding France in the amount of -€67.9 million,
  - Global Businesses in the amount of -€40.0 million.

The main impairment losses on non-current assets recognized as of December 31, 2015 break down as follows:

- impairment losses of -€18.2 million recognized on goodwill of joint ventures (-€12.5 million) and associates (-€6.4 million);
- impairment losses on intangible assets and property, plant and equipment of -€68.0 million, recognized particularly in the following operating segments:
  - Europe excluding France in the amount of -€46.0 million, including impairment losses of -€39.0 million on the assets of an industrial client,
  - Global Businesses in the amount of -€20.6 million.

More generally, operating depreciation, amortization, provisions and impairment losses included in operating income in **2016** break down as follows:

	2015 re-presented	2016		
(€ million)	Net	Charge	Reversal	Net
OPERATING DEPRECIATION, AMORTIZATION AND PROVISIONS, NET				
Depreciation and amortization	**(1,488.1)**	**(1,504.3)**	**0.5**	**(1,503.8)**
Property, Plant and equipment *	(892.0)	(873.6)	0.5	(873.1)
Intangible assets	(596.1)	(630.7)	-	(630.7)
Impairment losses	**(68.0)**	**(132.1)**	**20.3**	**(111.8)**
Property, Plant and equipment	(39.7)	(66.4)	15.7	(50.7)
Intangible assets and Operating financial assets	(28.3)	(65.7)	4.6	(61.1)
Impairment losses and impact of disposals on goodwill and negative goodwill recognized in the consolidated income statement	**(18.2)**	**3.2**	**-**	**3.2**
Non-current and current operating provisions	**111.2**	**(555.8)**	**570.9**	**15.1**
Non-current operating provisions	(66.0)	(350.9)	318.4	(32.5)
Current operating provisions	177.2	(204.9)	252.5	47.6
OPERATING DEPRECIATION, AMORTIZATION,PROVISIONS AND IMPAIRMENT LOSSES	(1,463.1)	(2,189.0)	591.7	(1,597.3)

* *Including investment grants.*

5.2.2 Restructuring costs

A restructuring is a program planned and controlled by Group management that significantly changes the scope of activity of the Group or the way in which this activity is managed. Accordingly, the following events can meet the definition of a restructuring: the sale or discontinuation of an activity branch, the closure of activity sites in a country or a region or the relocation of activities from one country to another or from one region to another; changes to the management structure such as the suppression of a management level; and fundamental reorganizations with a significant impact on the nature and focus of an activity.

(€ million)	2015 re-presented	2016
Restructuring costs	(150.1)	(119.2)
Net charges to restructuring provisions	69.3	(65.3)
RESTRUCTURING COSTS	(80.8)	(184.5)

Restructuring costs recognized in operating income in 2016 mainly concern France Water (new redundancy plan) in the amount of -€56.7 million, VWT in the amount of -€29.7 million.

Restructuring costs recognized in operating income in 2015 mainly concern France Water in the amount of -€41.5 million, VWT in the amount of -€13.9 million and the Energy business in Italy in the amount of -€5.0 million.

5.2.3 Research and development costs

Research and developments costs total €65.1 million in 2016 and €70.7 million in 2015.

5.2.4 Joint ventures and associates

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

The Group's investment in Transdev Group does not represent an extension of the Group's businesses within the meaning of the recommendation issued by the French Accounting Standards Authority (*Autorité des Normes Comptables*, ANC) on April 4, 2013, as the Group's continued aim is to withdraw from the transportation business. As described in Note 3.3, the residual stake in Transdev group has been reclassified from "joint ventures" to "associates" as of December 31, 2016.

(€ million)	2015 re-presented	2016
Share of net income (loss) of joint ventures	73.1	66.8
Share of net income (loss) of associates	25.6	27.4
Share of net income (loss) of equity-accounted entities	**98.7**	**94.2**

5.2.4.1 Joint ventures excluding Transdev Group

The fluctuation in investments in joint ventures, excluding Transdev Group, in **2016** breaks down as follows:

(€ million)	As of December 31, 2015 re-presented	Net income	Dividend distribution	Change in consolidation scope	Foreign exchange translation	Other movements	As of December 31, 2016
Joint ventures excluding Transdev Group	**1,720.1**	66.8	(53.6)	(34.2)	(55.2)	(1.3)	**1,642.6**

	Share of Equity		Share of net income (loss)	
(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016	2015 re-presented	2016
Chinese Water concessions	1,548.5	1,478.3	23.3	36.2
Other joint ventures	171.6	164.3	37.3	30.6
TOTAL	1,720.1	1,642.6	60.6	66.8
Impact in the Consolidated Income Statement on Net income from continuing operations (a)+(b)			60.6	66.8
Share of net income (loss) of joint ventures (a)			**73.1**	**66.8**
Impairment losses recognized in other operating revenue and expenses (b)			(12.5)	-

Chinese Water concessions

As of December 31, 2016, the Chinese Water concessions comprise a combination of approximately twenty separate legal entities in which the Group holds interests of between 21% and 50%; the most significant concessions, in terms of revenue, are Shenzhen (25% interest) and Shanghai (50% interest).

Summarized financial information (at 100%) in respect of the Chinese Water concessions is set out below. This information reflects amounts presented in the joint ventures' financial statements prepared in accordance with IFRS, adjusted to reflect fair value adjustments performed on acquisition and adjustments recorded to comply with Group accounting principles, when applying the equity method.

Summarized financial information (at 100%) - Chinese Water Concessions *(€ million)*	As of December 31, 2015 re-presented	As of December 31, 2016
Current assets	1,373.1	1,468.4
Non-current assets	5,734.9	5,574.6
TOTAL ASSETS	7,108.0	7,043.0
Equity attributable to owners of the Company	3,410.1	3,281.7
Equity attributable to non-controlling interests	336.5	340.1
Current liabilities	2,049.5	2,193.3
Non-current liabilities	1,311.9	1,227.9
TOTAL EQUITY AND LIABILITIES	7,108.0	7,043.0
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	669.6	798.5
Current financial liabilities (excluding trade and other payables and provisions)	679.7	707.0
Non-current financial liabilities (excluding trade and other payables and provisions)	647.7	577.0
Income statement		
Revenue	2,011.0	1,977.1
Operating income	223.8	236.5
Net income (loss) from continuing operations	96.0	139.5
Post-tax net income (loss) from discontinued operations	-	-
Net income (loss) attributable to non-controlling interests	(19.6)	(19.6)
Net income (loss) attributable to owners of the Company at the Chinese Water concessions level	76.4	120.0
Net income (loss) for the year	96.0	139.5
Other comprehensive income for the year	262.3	(156.2)
Total comprehensive income for the year	358.3	(16.6)
The above net income (loss) for the year includes the following :		
Depreciation and amortization	(210.7)	(175.0)
Interest income	10.2	9.6
Interest expense	(72.1)	(56.4)
Income tax (expense) income	(48.9)	(52.1)
Dividends		
Dividends received from the joint venture	20.7	23.0

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

(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016
Net assets of the Chinese Water concession joint ventures	3,410.1	3,281.7
Proportion of the Group's ownership interest in the Chinese Water concession joint ventures - weighted-average rate	30.24%	30.24%
Goodwill	263.3	253.3
Other adjustments	254.0	232.6
Carrying amount of the Group's interest in the Chinese Water concession joint ventures	**1,548.5**	**1,478.3**

As the Chinese Water concessions represent approximately twenty individual concessions, the percentage interest indicated in the above reconciliation is a weighted-average rate of the contribution of each concession within the combination.

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

(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016
Net income (loss) for the year of the Chinese Water concession joint ventures	76.4	120.0
Proportion of the Group's ownership interest in the Chinese Water concession joint ventures - weighted-average rate	30.24%	30.24%
Other	0.2	(0.1)
Group share of net income (loss) of the Chinese Water concession joint ventures	**23.3**	**36.2**

The recoverable amount of each Chinese Water concession joint venture is tested for impairment in accordance with the provisions set out in the standard. Given the models used and the timeframe adopted, the recoverable amounts determined are based on a certain number of structuring assumptions such as price increases, volume trends, construction activity levels and margins and efficiency and productivity measures integrated in future cash flows. Exceptionally, the long–term plans of the Chinese Water Concessions were extended to 2025, in order to identify standard flows for the calculation of the terminal value, as Water activities in China follow a specific economic model, with extremely long contract terms (between thirty and fifty years) and high investment flows during the initial contract years.

Other joint ventures

The Group also holds interests in other joint ventures that are not individually material, with a total net carrying amount of €164.3 million as of December 31, 2016.

Unrecognized share of losses of joint ventures

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

Transactions with joint ventures (related parties)

The Group grants loans to joint ventures. These loans are recorded in assets in the Group Consolidated Statement of Financial Position (see Note 8.1.2 "Other non-current and current financial assets").

As of December 31, 2016 and 2015, current and non-current loans granted to all these entities, excluding Transdev Group, totaled €165.6 million and €164.5 million, respectively. The loans were mainly granted to the Chinese Water concessions in the amount of €124.1 million and €116.0 million, respectively.

In addition, given the Group's activities, operating flows between companies are generally limited to companies operating in the same country. As such, the level of operating transactions between the Group and equity-accounted companies is not material.

However, certain contractual agreements in the Group's businesses, impose the existence of a holding company (generally equity-accounted) and companies carrying the operating contract (generally fully consolidated). These complex legal arrangements generate "asset supply" flows between the companies generally jointly controlled or subject to significant influence and the companies controlled by the Group. Assets are generally supplied for a specific remuneration that may or may not include the maintenance of the installations in good working order or the technical improvement of the installations.

5.2.4.2 Investments in associates

The fluctuation in investments in associates in **2016** breaks down as follows:

(€ million)	**As of December 31, 2015 re-presented**	Net income	Dividend distribution	Change in consolidation scope	Foreign exchange translation	Other movements*	As of December 31, 2016
Investments in associates	**461.8**	27.4	(25.5)	(7.6)	(5.6)	272.9	**723.4**

* *Including impact of Transdev group reclassification from joint venture to investments in associates in the amount of €285.1 million, as described in note 3.3.*

(€ million)	**Share of equity**		**Share of net income(loss)**	
	As of December 31, 2015 re-presented	As of December 31, 2016	**As of December 31, 2015 re-presented**	As of December 31, 2016
Transdev group(1)	-	285.1	45.9	27.4
Fovarosi Csatomazasi Muvek	83.4	81.6	0.7	(3.4)
Siciliacque	54.8	58.0	3.7	3.1
AFF W A Ltd*	47.9	41.1	5.0	3.7
Other non-material associates	275.7	257.6	9.8	24.0
TOTAL	461.8	723.4	65.1	54.8
Impacts on the Consolidated Income Statement				
Share of net income (loss) of equity-accounted entities in continuing operations			25.6	27.4
Impairment losses recognized in other operating revenue and expenses **			(6.4)	-
Share of net income (loss) of other equity-accounted entities			45.9	27.4

(1) *Transdev group was classified within joint-ventures at December 31,2015 for an amount of €435.7 million.*

* *Formerly Rift Acquisition Holding Co.*

** *Impairment of goodwill in respect of other associates.*

5.3 Working capital

5.3.1 Working capital

Net working capital includes "operating" working capital (inventories, trade receivables, trade payables and other operating receivables and payables, tax receivables and payables other than current tax), "tax" working capital (current tax receivables and payables) and "investment" working capital (receivables and payables in respect of industrial investments/disposals).

In accordance with IAS 2, "Inventories", inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Commercial receivables and payables are recognized at nominal value, unless discounting at the market rate has a material impact.

Trade payables are recognized as liabilities at amortized cost in accordance with IAS 39 for accounting purposes. Short-term commercial payables without a declared interest rate are recognized at nominal value, unless discounting at the market rate has a material impact.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the contractual rights to the cash flows from the financial asset in a transaction under which substantially all the risks and rewards inherent to ownership of the financial asset are transferred. Any interest created or retained by the Group in a financial asset is recognized separately as an asset or liability.

Movements in net working capital during **2016** are as follows:

(€ million)	**As of December 31, 2015 re-presented**	Change in business	Impairment losses	Changes in scope of consolidation	Foreign exchange translation	Other movements	As of December 31, 2016
Inventories and work-in-progress, net	757.7	(23.4)	(11.3)	5.5	(8.9)	-	719.6
Operating receivables, net	8,797.2	(73.8)	(1.2)	56.0	(43.8)	(48.4)	8,686.0
Operating payables	(10,070.6)	(97.8)	-	(85.3)	67.6	(13.8)	(10,199.9)
NET WORKING CAPITAL	(515.7)	(195.0)	(12.5)	(23.8)	14.9	(62.2)	(794.3)

Net impairment losses were mainly recognized in the France operating segment in the amount of +€5.2 million, in the Europe excluding France operating segment in the amount of -€21.5 million, in the Rest of the World operating segment in the amount of -€31.4 million and in the Other segment in the amount of +€49.5 million.

Movements in each of these working capital categories in **2016** are as follows:

(€ million)	**As of December 31, 2015 re-presented**	Changes in business	Impairment losses	Change in consolidation scope	Foreign exchange translation	Transfers to Assets/ liabilities classified as held for sale	Other movements	**As of December 31, 2016**
Inventories and work-in-progress, net	757.7	(23.4)	(11.3)	5.5	(8.9)	0.6	(0.6)	719.6
Operating receivables (including tax receivables other than current tax)	8,671.7	(83.0)	(1.2)	54.2	(40.8)	9.7	(56.0)	8,554.6
Operating liabilities (including operating liabilities other than current tax)	(9,716.6)	(151.9)	-	(77.8)	62.5	(0.9)	45.4	(9,839.3)
OPERATING WORKING CAPITAL (1)	**(287.2)**	**(258.3)**	**(12.5)**	**(18.1)**	**12.8**	**9.4**	**(11.2)**	**(565.1)**
Tax receivables (current tax)	122.6	1.7	-	2.2	(2.9)	0.2	(1.8)	122.0
Tax payables (current tax)	(134.7)	20.4	-	(4.5)	0.6	(0.2)	1.1	(117.3)
TAX WORKING CAPITAL	**(12.1)**	**22.1**	**-**	**(2.3)**	**(2.3)**	**-**	**(0.7)**	**4.7**
Receivables on non-current assets disposals	2.9	7.5	-	(0.4)	(0.1)	-	(0.5)	9.4
Industrial investment payables	(219.3)	33.7	-	(3.0)	4.5	1.5	(60.7)	(243.3)
INVESTMENT WORKING CAPITAL	**(216.4)**	**41.2**	**-**	**(3.4)**	**4.4**	**1.5**	**(61.2)**	**(233.9)**
NET WORKING CAPITAL	**(515.7)**	**(195.0)**	**(12.5)**	**(23.8)**	**14.9**	**10.9**	**(73.1)**	**(794.3)**

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

Movements in inventories during **2016** are as follows:

Inventories *(€ million)*	**As of December 31, 2015 re-presented**	Changes in business	Impairment losses	Reversal of impairment losses	Change in consolidation scope	Foreign exchange translation	Transfers to Assets/ liabilities classified as held for sale	Other movements	**As of December 31, 2016**
Raw materials and supplies	552.0	(35.0)	-	-	7.4	(7.7)	0.6	(0.5)	516.8
Work-in-progress	151.9	12.3	-	-	1.2	(0.6)	-	-	164.8
Other inventories (1)	110.3	(0.7)	-	-	(3.1)	(1.1)	-	-	105.4
INVENTORIES AND WORK-IN-PROGRESS, GROSS	**814.2**	**(23.4)**	**-**	**-**	**5.5**	**(9.4)**	**0.6**	**(0.5)**	**787.0**
IMPAIRMENT LOSSES ON INVENTORIES AND WORK-IN-PROGRESS	**(56.5)**	**-**	**(34.2)**	**22.9**	**-**	**0.5**	**-**	**(0.1)**	**(67.4)**
INVENTORIES AND WORK-IN-PROGRESS, NET	**757.7**	**(23.4)**	**(34.2)**	**22.9**	**5.5**	**(8.9)**	**0.6**	**(0.6)**	**719.6**

(1) *Including CO2 inventories.*

Inventories mainly concern the Europe excluding France operating segment in the amount of €347.2 million, the Global Businesses operating segment in the amount of €140.9 million and the Rest of the World operating segment in the amount of €135.1 million.

Movements in operating receivables during **2016** are as follows:

Operating receivables *(€ million)*	**As of December 31, 2015 re-presented**	Changes in business	Impairment losses (1)	Reversal of impairment losses (1)	Change in consolidation scope	Foreign exchange translation	Transfers to Assets/liabilities classified as held for sale	Other movements	**As of December 31, 2016**
Trade receivables	7,290.1	54.5	-	-	41.5	(42.6)	3.3	(33.4)	7,313.4
Impairment losses on trade receivables	(802.1)	-	(207.9)	214.5	(1.4)	10.3	0.2	1.2	(785.2)
TRADE RECEIVABLE, NET (2)	**6,488.0**	**54.5**	**(207.9)**	**214.5**	**40.1**	**(32.3)**	**3.5**	**(32.2)**	**6,528.2**
Other current operating receivables	611.5	(58.9)	-	-	8.9	(7.1)	(0.5)	(22.6)	531.3
Impairment losses on other current operating receivables	(73.8)	-	(15.6)	7.6	(0.6)	6.4	-	(7.2)	(83.2)
OTHER OPERATING RECEIVABLES, NET	**537.7**	**(58.9)**	**(15.6)**	**7.6**	**8.3**	**(0.7)**	**(0.5)**	**(29.8)**	**448.1**
Other receivables (2)	749.3	(49.5)	-	0.2	2.5	(6.7)	(0.3)	2.8	698.3
Tax receivables	1,022.2	(19.9)	-	-	5.1	(4.1)	7.2	0.9	1,011.4
OPERATING RECEIVABLES, NET	**8,797.2**	**(73.8)**	**(223.5)**	**222.3**	**56.0**	**(43.8)**	**9.9**	**(58.3)**	**8,686.0**

(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 **2016** are as follows:

Operating payables *(€ million)*	**As of December 31, 2015 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, 2016**
Trade payables	4,345.2	(0.3)	28.0	(31.9)	0.1	(13.4)	4,327.7
Other current operating liabilities	3,943.2	(4.6)	31.5	(15.5)	(1.1)	36.9	3,990.4
Other liabilities (1)	854.2	57.9	19.7	(13.2)	0.5	(7.7)	911.4
Tax and employee-related liabilities	928.0	44.8	6.1	(7.0)	0.1	(1.6)	970.4
OPERATING PAYABLES	**10,070.6**	**97.8**	**85.3**	**(67.6)**	**(0.4)**	**14.2**	**10,199.9**

(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 2016.

Factoring

The Group has regular recourse to factoring.

Under these programs, certain subsidiaries have agreed to assign, on a renewable basis, trade receivables by contractual subrogation or assignment of receivables (such as "Dailly" programs in France) without recourse against the risk of default by the debtor. The analysis of the risks and rewards as defined by IAS 39 led the Group to derecognize almost all the receivables assigned under these factoring programs. In addition, the transferor subsidiaries remain, in certain cases, responsible for invoicing and debt recovery, for which they receive remuneration but do not retain control.

Accordingly, receivables totaling €1,640.7 million were assigned under these programs in 2016, compared with €1,169.1 million in 2015. Receivables derecognized as of December 31, 2016 total €413.7 million, compared with €332.5 million as of December 31, 2015.

Discounting and assignment by way of security

Under Public-Private partnerships, Veolia subsidiaries can assign the fraction of future payments guaranteed by local authorities / private customers (recognized in financial receivables pursuant to IFRIC 12 or IFRIC 4-IAS 17) to the bodies funding the project, through discounting or assignment by way of security programs (such as Dailly programs in France). For the majority of partnerships concerned by these financial receivable assignments, the assignment agreements negotiated and the contractual clauses agreed between the stakeholders are sufficient to satisfy the derecognition criteria set out in IAS 39. The residual risk retained by the companies (considered immaterial) is generally tied solely to late customer payment due to late/deferred invoicing of services by Group subsidiaries. Group subsidiaries are mandated by the financial institutions to manage the invoicing and recovery of the receivables covered by these programs. Veolia analyzed the management and recovery procedures falling to Group subsidiaries and concluded that these services did not constitute continuing involvement.

Two assignments by way of security performed in 2005 and 2006 in connection with the specific terms and conditions of finance lease agreements entered into by the Waste 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 €64.7 million and finance lease obligations maturing in 2025 and 2026 of €65.9 million are recognized in Veolia's balance sheet as of December 31, 2016 in respect of these contracts (€70.9 million and €71.6 million, respectively, as of December 31, 2015).

In 2016, the Group monetized tax credits totaling €98.4 million (Competitiveness and Employment tax credit and Research tax credit), through discounting. These receivables were derecognized from the Statement of Financial Position at the end of 2016.

5.4 Non-current and current operating financial assets

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

Concession arrangements

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

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

During the construction phase, a financial receivable is recognized in the Consolidated Statement of Financial Position and revenue in the Consolidated Income Statement, in accordance with the percentage of completion method laid down in IAS 11 on construction contracts.

Financial receivables are initially measured at the lower of fair value and the sum of discounted future cash flows and subsequently recognized at amortized cost using the effective interest method.

After a review of the contract and its financing, the implied interest rate on the financial receivable is based on either the Group financing rate and /or the borrowing rate associated with the contract.

Leases

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

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

Movements in the net carrying amount of non-current and current operating financial assets during **2016** are as follows:

(€ million)	**As of December 31, 2015 re-presented**	New operating financial assets [2]	Repayments/ disposals	Impairment losses [1]	Changes in consolidation scope	Foreign exchange translation	Non-current/ Current reclassification	Other movements	As of December 31, 2016
Gross	1,766.1	102.3	(14.5)	-	16.6	(73.2)	(159.5)	(6.4)	1,631.4
Impairment losses	(31.9)	-	-	(45.4)	-	-	-	-	(77.3)
NON-CURRENT OPERATING FINANCIAL ASSETS	1,734.2	102.3	(14.5)	(45.4)	16.6	(73.2)	(159.5)	(6.4)	1,554.1
Gross	171.8	10.0	(186.7)	-	0.6	(3.8)	159.5	(0.3)	151.1
Impairment losses	(9.5)	-	-	(0.8)	-	-	-	0.8	(9.5)
CURRENT OPERATING FINANCIAL ASSETS	162.3	10.0	(186.7)	(0.8)	0.6	(3.8)	159.5	0.5	141.6
NON-CURRENT AND CURRENT OPERATING FINANCIAL ASSETS	1,896.5	112.3	(201.2)	(46.2)	17.2	(77.0)	-	(5.9)	1,695.7

(1) Impairment losses are recorded in operating income.

(2) New operating financial assets presented in the Consolidated cash flow statement equal new operating financial assets presented above €113.4 million, net of the relating acquisition debt €1.1 million as of December 31, 2016.

The principal **new** operating financial assets in 2016 mainly concern the increase in financial receivables for pre-existing contracts, in particular in the following operating segments:

- Europe excluding France, in the amount of €59.5 million, primarily following investments in Germany under the Braunschweig contract of €20.4 million;
- Rest of the World, in the amount of €33.7 million, primarily following investments by Société d'Energie et d'Eau in Gabon of €27.9 million.

The principal **repayments and disposals** of operating financial assets in 2016 concern the following operating segments:

- Rest of the World in the amount of -€105.9 million;
- Europe excluding France, in the amount of -€64.1 million;
- France in the amount of -€28.8 million.

Foreign exchange translation gains and losses on current and non-current operating financial assets mainly concern movements in the pound sterling (-€73.5 million) and the Chinese renminbi (-€8.6 million) against the euro.

Operating financial assets held by the Group in countries considered high-risk by the International Monetary Fund are not material in amount.

Breakdown of operating financial assets by operating segment:

	As of December 31,					
	Non-current		Current		Total	
(€ million)	2015 re-presented	2016	2015 re-presented	2016	2015 re-presented	2016
France	90.5	**74.5**	7.5	**8.2**	98.0	**82.7**
Europe excluding France	990.7	**939.3**	52.2	**52.5**	1,042.9	**991.8**
Rest of the World	604.5	**522.6**	101.3	**78.9**	705.8	**601.5**
Global businesses	48.5	**17.7**	1.3	**2.0**	49.8	**19.7**
Other	-	**-**	-	**-**	-	**-**
OPERATING FINANCIAL ASSETS	**1,734.2**	**1,554.1**	**162.3**	**141.6**	**1,896.5**	**1,695.7**

IFRIC 4 operating financial assets maturity schedule:

(€ million)	1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
France	-	-	-	-	**-**
Europe excluding France	13.2	16.7	26.8	54.2	**110.9**
Rest of the World	54.3	51.9	14.2	148.2	**268.6**
Global businesses	2.0	9.4	6.3	2.0	**19.7**
Other	-	-	-	-	-
TOTAL	**69.5**	**78.0**	**47.3**	**204.4**	**399.2**

IFRIC 12 operating financial assets maturity schedule:

(€ million)	1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
France	8.2	17.8	17.4	39.3	**82.7**
Europe excluding France	39.3	92.3	232.6	516.7	**880.9**
Rest of the World	24.6	117.6	39.7	151.0	**332.9**
Global businesses	-	-	-	-	**-**
Other	-	-	-	-	**-**
TOTAL	**72.1**	**227.7**	**289.7**	**707.0**	**1,296.5**

5.5 Concession liabilities

Concession financial liabilities result from the application of IFRIC 12 on the accounting treatment of concessions (see Note 1.2.4).

Movements in non-current and current concession liabilities in **2016** break down as follows:

	As of December 31					
	Non-current		Current		Total	
(€ million)	2015 re-presented	2016	2015 re-presented	2016	2015 re-presented	2016
France	52.0	**77.3**	9.0	**10.6**	61.0	**87.9**
Europe excluding France	1,410.8	**1,310.5**	100.7	**107.4**	1,511.5	**1,417.9**
Rest of the World	12.9	**11.4**	2.3	**1.8**	15.2	**13.2**
Global businesses	-	**-**	-	**-**	-	**-**
Other	-	**-**	-	**-**	-	**-**
CONCESSION LIABILITIES	1,475.7	1,399.2	112.0	119.8	1,587.7	1,519.0

5.6 Construction contracts

As disclosed in Note 5.1, Veolia recognizes income and expenses associated with construction contracts in accordance with the percentage of completion method defined in IAS 11.

The percentage of completion is determined by comparing costs incurred at the period end with total estimated costs under the contract. Costs incurred comprise costs directly attributable to the contract and borrowing costs incurred up to completion of the work. However, prospection costs, costs incurred prior to contract signature, and administrative and selling costs are expensed in the period incurred and do not therefore contribute to contract completion.

Where total contract costs exceed total contract revenue, the Group recognizes a loss to completion as an expense of the period, irrespective of the stage of completion and based on a best estimate of forecast results including, where appropriate, rights to additional income or compensation, where they are probable and can be determined reliably. Provisions for losses to completion are recorded as liabilities in the Consolidated Statement of Financial Position.

The amount of costs incurred, plus profits and less losses recognized and intermediary billings is determined on an individual contract basis. In accordance with IAS 11, where positive, this amount is recognized in assets in "amounts due from customers for construction contract work" (in “Other operating receivables”). Where negative, it is recognized in liabilities in "amounts due to customers for construction contract work" (in “Other operating payables”).

Partial payments received under construction contracts before the corresponding work has been performed, are recognized in liabilities in the Consolidated Statement of Financial Position under “advances and down-payments received”.

At each period end, a contract statement compares the amount of costs incurred, plus profits (including any provisions for losses to completion) with intermediary billings: “Construction contracts in progress / Assets” therefore represents contracts for which the costs incurred and profits recognized exceed amounts billed.

(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016
Construction contracts in progress / Assets (A)	564.1	291.8
Construction contracts in progress / Liabilities (B)	80.5	88.3
Construction contracts in progress / Net (A) – (B)	**483.6**	**203.5**
Costs incurred plus income and losses recognized to date (C)	4,001.2	2,876.3
Amounts billed (D)	(3,517.6)	(2,672.8)
Construction contracts in progress / Net (C) + (D)	**483.6**	**203.5**
Customer advances	**23.4**	**48.3**

5.7 Management of supply risks

As part of supply management and cost optimization measures or to hedge future production, certain Group subsidiaries may be required, depending on their activities, to contract forward purchases or sales of commodities and set-up derivatives to fix the cost of commodities supply or the selling price of commodities produced (electricity).

Commodity risks are described in Note 8.3.1.3.

5.8 Commitments relating to operating activities

5.8.1 Commitments given

Commitments given relating to operating activities comprise operating guarantees and purchase commitments.

Operational or operating guarantees encompass all commitments not relating to the financing of operations, required in respect of contracts or markets and generally given in respect of the operations and activities of Group companies. Such guarantees include bid bonds accompanying tender offers, advance payment bonds and completion or performance bonds given on the signature of contracts or concession arrangements.

The main categories of commitments include:

- Commitments related to site rehabilitation:

  Pursuant to environmental texts and legislation concerning the operation of landfill sites, the Group is obliged to provide financial guarantees to local authorities/government agencies. These guarantees notably encompass the rehabilitation and supervision of the site during 30 years or more, depending on national legislation (currently 60 years in the United Kingdom), following its operation.

  In this context, performance bonds and letters of credit are issued to local authorities and other public bodies.

  Depending on the contract, these guarantees cover the costs necessary for the supervision and rehabilitation of all or part of the site.

  These guarantees are quantified in accordance with legal or contractually-defined procedures. These guarantees, which are given in their total amount from the start of operations, expire at the end of the commitment (termination of rehabilitation work and site supervision).

  Therefore, the amount of our commitment for the rehabilitation and supervision of landfill sites is in general different from the amount of the provision recorded in the Group accounts (see Note 10). Provisions calculated by the Group are based on different valuations (based on internal policies regarding site security and designed for optimal environmental protection), which take into account the progressive nature of the obligation: operation of the landfill sites results in progressive damage to the site and, as such, a related liability is recognized as the facility is operated (see Note 10).

  If the amount of the commitment is less than the provision at the balance sheet date, an off-balance sheet commitment is not disclosed. Conversely, if the amount of the commitment is greater than the provision, an off-balance sheet commitment is disclosed in the amount not provided.

- Commitments related to engineering and construction activities:

  Commitments relating to engineering and construction activities primarily comprise commitments given and received in respect of Veolia Water Technologies construction activities. Commitments given in respect of the five main contracts account for approximately 62.0% of total commitments.

- Commitments relating to concession arrangements:

  Pursuant to public service contracts with a public entity, the Group may be called on/obliged to invest in infrastructures that will then be operated and remunerated in accordance with contractual terms and conditions.

  The contractual commitment may concern both the financing of installations and infrastructures to be used in operations and also the maintenance and replacement of infrastructures necessary to operations.

  Expenditure relating to the replacement or rehabilitation of installations is monitored and recognized through any timing differences between the total contractual commitment over the contract term and its realization, in accordance with IAS 37 on Provisions.

  Expenditure relating to the construction, maintenance and restoration of concession assets is reviewed with respect to IFRIC 12 and detailed in Note 5.5.

- Firm commodity purchase and sale commitments:

  As part of supply management and cost optimization, certain Group subsidiaries may be required, depending on their activities, to set-up derivatives to fix the cost of commodity supplies where the contracts do not offer appropriate protection or contract forward purchases or sales of commodities.

  Firm commodity purchase commitments, excluding derivatives, mainly concern:

- Gas in Energy activities (mainly in Central Europe) and Water activities. Most commitments mature in less than 5 years;
- Electricity in Energy activities (purchase commitments mature in less than 3 years due to poor liquidity in the electricity market for longer maturities);
- Biomass and coal in Energy activities.

In parallel, firm electricity sales contracts, excluding derivatives, are entered into to secure selling prices over a period of less than 3 years. These commitments concern production activities exposed to the electricity wholesale market and primarily Waste activities in the UK (electricity produced by waste incineration) and Energy activities in Central Europe.

Off-balance sheet commitments given break down as follows:

(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016	Maturing in Less than 1 year	1 to 5 years	More than 5 years
Operational guarantees including performance bonds	10,651.8	9,414.3	4,730.1	2,987.3	1,696.9
Purchase commitments	202.9	153.7	78.1	71.4	4.2
TOTAL COMMITMENTS RELATING TO OPERATING ACTIVITIES	10,854.7	9,568.0	4,808.2	3,058.7	1,701.1

The decrease in commitments given between December 31, 2015 and December 31, 2016 (-€1,173.5 million) is mainly due to the lifting of performance bonds given to Shell Canada Energy for €441.0 million and Novartis for €738.7 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 €3,425.4 million as of December 31, 2016, compared with €3,189.7 million as of December 31, 2015.

Commitments given in respect of joint ventures (at 100%) total €705.1 million as of December 31, 2016 compared with €624.5 million as of December 31, 2015 and mainly consist of performance bonds given to Al Wathba VB in the amount of €446.8 million and to Glen Water Holding in the amount of €82.7 million.

5.8.2 Commitments received

These commitments mainly consist of commitments received from our partners in respect of construction contracts.

They total €1,121.7 million as of December 31, 2016, compared with €1,090.9 million as of December 31, 2015.

Total commitments received in respect of Veolia Water Technologies activities amount to €581.1 million as of December 31, 2016, compared with €611.1 million as of December 31, 2015.

NOTE 6 PERSONNEL COSTS AND EMPLOYEE BENEFITS

6.1 Personnel costs and employee numbers

Personnel costs break down as follows:

(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016
Employee costs	(7,100.2)	(6,977.2)
Profit-sharing and incentive schemes	(114.7)	(111.5)
Share-based compensation (IFRS2) *	(10.7)	(4.7)
PERSONNEL COSTS	(7,225.6)	(7,093.4)

* *As disclosed in Note 6.2, share-based compensation concerns the Management Incentive Plan and the Employee Savings Plan.*

Average consolidated employees* break down as follows:

By operating segment	2015	2016
France	31,958	30,575
Europe excluding France	53,468	52,786
Rest of the World	42,102	42,516
Global businesses	28,402	28,350
Other	2,850	1,998
CONSOLIDATED EMPLOYEES *	158,780	156,225

By company	2015	2016
Fully-consolidated companies	158,725	156,204
Joint operations	55	21
CONSOLIDATED EMPLOYEES *	158,780	156,225

* *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. The fair value of these plans at grant date is expensed in the Consolidated Income Statement and recognized directly in equity in the period in which the benefit vests and the service is rendered.

The fair value of instruments granted is calculated using the Black and Scholes model, taking into account their expected life, the risk-free interest rate, expected volatility, determined based on observed volatility in the past and dividends expected on the shares.

With regard to Group Savings Plans (GSP), the Veolia Group applies CNC recommendations (press release of December 21, 2004 in respect of Company Savings Plans and complement of February 2, 2007).

The GSP compensation expense corresponds to the difference between the subscription price and the average share price at each subscription date and to the Company's contribution to subscribers. It also takes account of the requirement to hold shares for five years. The discount for non-transferability is calculated as the difference in the value between a five-year forward sale of shares and the spot purchase of the same number of shares, financed by a loan. The whole plan expense is recognized at the end of the subscription period.

6.2.2 Veolia Environnement share purchase and subscription option plans

Veolia Environnement has implemented several standard fixed share purchase and subscription option plans, as well as a variable plan for management.

Current option plans at the end of 2016 were as follows:

	N° 8
	2010
Grant date	9/28/2010
Number of options granted	2,462,800
Number of options not exercised	0 *
Plan term	8 years
Vesting conditions	4 years service plus performance conditions
Vesting method	After 4 years
Trike price (in euros)	22.50

* *Given the failure to achieve performance criteria, validated by the Board of Directors' meeting of March 14, 2013. In the event of a public offer for the Company's shares, 2,127,400 options would become available for exercise.*

In 2010, Veolia Environnement granted 2,462,800 share options to members of the Executive Committee (excluding the Chief Executive Officer) and three employee groups. The first group comprised Group key management, including members of the Executive Committee. The second group comprised other Group management members and the third one included high-performing executive and non-executive employees.

The options granted under the plan could only be exercised after a period of four years commencing the grant date, that is from September 29, 2014, provided the Group return on capital employed as of December 31, 2012 was at least equal to 8.4% (application of this performance criteria varies according to the employee category).

As this condition was not satisfied at the 2012 year-end, the Board of Directors' meeting of March 14, 2013 duly noted that the options could not be exercised. In the event of a public offer for the Company's shares, 2,127,400 options would become available for exercise.

6.2.3 Employee savings plans

Veolia Environnement has set-up standard and leveraged employee shareholding 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 employee shareholding plan were set up in 2016.

In 2015, Veolia proposed a Group employee share ownership plans, rolled-out across 20 countries. An IFRS 2 expense of €5.9 million was recognized in 2015 in respect of the plan, net of a discount for non-transferability of €3 million.

6.2.4 Management Incentive Plan

In October 2014, the Group introduced a long-term incentive plan, the "Management Incentive Plan" (MIP), for the Group's top executives (including the Chief Executive Officer and Executive Committee members).

This plan is based on a joint investment approach with a personal investment by the beneficiary in the company's shares, accompanied by the grant, subject to performance conditions, of an "additional" share bonus financed by the Group (primarily through the grant of treasury shares held by the Company).

The initial investment by the beneficiary gives rise to a limited guarantee representing 80% of the value of the investment (excluding any taxes or duties payable by the beneficiary), except for the Chief Executive Officer and Executive Committee members.

The share bonus, granted in three tranches, is tied to the achievement of performance criteria (increase in the share price compared with the acquisition price on initial investment and current net income attributable to owners of the Company per share) determined at three dates (March 2016, March 2017 and March 2018) relating to the publication of the Company's 2015, 2016 and 2017 annual accounts. The three tranches do not vest until expiry of the plan in April 2018, subject to the confirmation at this date of the presence of the beneficiaries concerned and the retention by them of the shares initially invested.

The estimated fair values of the instruments are €1.59, €1.86 and €2.01 for each of the three leveraged tranches. These values were calculated using the Black and Scholes model based on the following underlying assumptions: share price and strike price of €13.04, implicit volatility of 33.94%, expected annual yield of 5.37%, risk-free interest rate of between 0.14% and 0.31% and exercise maturity of 3.5 years.

The 2015 performance condition was achieved. The 2016 and 2017 performance conditions were taken into account in calculating the number of instruments and the compensation expense.

As of December 31, 2016, 410,858 shares are invested in this plan.

An IFRS 2 expense of €4.5 million is recognized in operating income in 2016.

6.3 Pension plans and other post-employment benefits

The following disclosures concern pension plans offered by fully consolidated entities.

6.3.1 Accounting principles

Veolia Environnement and its subsidiaries have several pension plans.

Defined contribution plans: plans under which the Group (or a Group entity) pays an agreed contribution to a separate entity, relieving it of any liability for future payments.

These obligations are expensed in the Consolidated Income Statement when due.

Defined benefit plans: all plans which do not meet the definition of a defined contribution plan. The net obligations of each Group entity are calculated for each plan based on an estimate of the amount employees will receive in exchange for services rendered during the current and past periods. The amount of the obligation is discounted to present value and the fair value of plan assets is deducted.

Where the calculation shows a plan surplus, the asset recognized is capped at the total of the discounted present value of profits, in the form of future repayments or reductions in plan contributions. The plan surplus is recognized in non-current financial assets.

Certain obligations of the Group or Group entities may enjoy a right to reimbursement, corresponding to a commitment by a third party to repay in full or in part the expenses relating to these obligations. This right to reimbursement is recognized in non-current financial assets.

The financing of defined benefit pension plans may lead the Group to make voluntary contributions to pension funds. Where applicable, these voluntary contributions are presented in Net cash from operating activities in the Consolidated Cash Flow Statement, in the same way as other employer contributions.

Employee obligations of the Group are calculated using the projected unit credit method. This method is based on the probability of personnel remaining with companies in the Group until retirement, the foreseeable changes in future compensation, and the appropriate discount rate. Specific discount rates are adopted for each monetary area. They are determined based on the yield offered by bonds issued by leading companies (rated AA) or treasury bonds where the market is not liquid, with maturities equivalent to the average term of the plans valued in the relevant region. This results in the recognition of pension-related assets or provisions in the Consolidated Statement of Financial Position and the recognition of the related net expenses.

Pursuant to IAS 19, Employee Benefits, actuarial gains and losses are recognized in other comprehensive income.

6.3.2 Description of plans

In accordance with the regulatory environment and collective agreements, the Group has established defined benefit and defined contribution pension plans (companies or multi-employer) in favor of employees and other post-employment benefits.

Defined contribution plans

Supplemental pension defined contribution plans have been set up in certain subsidiaries. Expenses incurred by the Group under these plans totaled €84 million in 2016 and €82 million in 2015.

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 €1,187.9 million as of December 31, 2016 (compared with €1,121.8 million as of December 2015) and is funded by plan assets of €1,069.2 million at this date (compared with €1,057.7 million as of December 31, 2015). The increase in the defined benefit obligation is presented in the table below in Note 6.3.3.

The average duration of these plans is approximately 18 years.

In the United Kingdom, defined benefit pension plans are mainly final salary plans. Most of these plans are closed to new employees and the majority are also closed to the accrual of new rights. These plans are financed by employer and employee contributions paid to an independent pension fund (the Trustee). Local regulations ensure the independence of the pension fund, which has 9 members (including 5 employer representatives, 3 representatives of active and retired employees and 1 independent member).

Plan rules authorize the employer to recover excess funds paid at the end of the plans.

These plans allow retirees to take part of the benefit as a lump-sum and the balance as a pension. In the case of a pension, the related risk is tied to the longevity of beneficiaries.

France

In France, the defined benefit obligation for all plans totaled €412.5 million as of December 31, 2016 (€410.1 million as of December 31, 2015) and is funded by plan assets of €94.9 million at this date (€97.6 million as of December 31, 2015). The increase in the defined benefit obligation is presented in the table below in Note 6.3.3.

Nearly 80% of the obligation relates to retirement indemnities (legally required payments) paid in a lump sum. These indemnities represent a number of months’ salary based on Group seniority and are legally required by the applicable collective-bargaining agreement to be paid on an employee’s retirement. A portion of these obligations is covered by insurance contracts, but this funding is at the discretion of the employer. The average duration of these plans is approximately 12 years.

The risk associated with this type of plan is legislative risk, in terms of potential adjustments to redundancy payments to which retirement indemnities are linked in certain collective bargaining agreements. Furthermore, the renegotiation of collective bargaining agreements could also generate adjustments to indemnities granted.

Multi-employer plans

Under collective agreements, some Group companies participate in multi-employer defined benefit pension plans. However, these plans are unable to provide a consistent and reliable basis for the allocation of the obligation, assets and costs between the different participating entities. They are therefore recorded as defined contribution plans in accordance with IAS 19. The multi-employer plans concern approximately 1,800 employees in 2016 and are mainly located in Germany, where such plans are generally funded by redistribution.

The corresponding expense recorded in the Consolidated Income Statement is equal to annual contributions and totals approximately €6 million in 2016, stable as compared with 2015.

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, 2015 re-presented	As of December 31, 2016
Discount rate	**3.18%**	**2.09%**
United Kingdom	*3.85%*	*2.65%*
Euro zone	*2.30%*	*1.60%*
Inflation rate	**2.38%**	**2.42%**
United Kingdom (RPI / CPI)	*2.95% / 2.00%*	*3.20% / 2.20%*
Euro zone	*1.75%*	*1.50%*

6.3.3.2 Change in the Defined Benefit Obligation (DBO)

	As of December 31,							
	United Kingdom		France		Other countries		TOTAL	
Change in the DBO *(€ million)*	**2015 re-presented**	2016	**2015 re-presented**	2016	**2015 re-presented**	2016	**2015 re-presented**	2016
Defined benefit obligation at beginning of year	**1,107.0**	**1,121.8**	**414.0**	**410.1**	**440.1**	**477.0**	**1,961.1**	**2,008.9**
Current service cost	4.8	3.3	21.1	20.6	19.4	21.0	45.3	44.9
Plan amendments or new plans (contract wins)	0.6	-	0.1	13.1	(3.6)	1.3	(2.9)	14.4
Curtailments and settlements	-	(11.1)	(10.0)	(8.0)	(1.5)	(2.2)	(11.5)	(21.3)
Interest cost	41.8	38.4	7.7	8.4	10.8	10.1	60.3	56.9
Actuarial (gains) losses	(63.7)	243.2	(6.9)	(15.7)	10.0	43.8	(60.6)	271.3
o/w actuarial (gains) losses arising from experience adjustments	*(0.1)*	*(7.4)*	*0.8*	*(6.5)*	*(0.1)*	*16.6*	*0.6*	*2.7*
o/w actuarial (gains) losses arising from changes in demographic assumptions	*(9.9)*	*(1.2)*	*1.2*	*(1.6)*	*3.2*	*0.8*	*(5.5)*	*(2.0)*
o/w actuarial (gains) losses arising from changes in financial assumptions	*(53.7)*	*251.8*	*(8.9)*	*(7.6)*	*6.9*	*26.4*	*(55.7)*	*270.6*
Plan participants' contributions	0.8	0.5	-	-	1.6	1.5	2.4	2.0
Benefits paid	(38.0)	(37.6)	(17.4)	(15.6)	(21.7)	(32.4)	(77.1)	(85.6)
Benefits obligation assumed on acquisition of subsidiaries	-	-	1.0	1.2	0.2	17.3	1.2	18.5
Benefits obligation transferred on divestiture of subsidiaries	-	-	(0.1)	(2.1)	(6.0)	-	(6.1)	(2.1)
Foreign exchange translation	68.4	(170.6)	-	-	27.5	3.7	95.9	(166.9)
Other	0.1	-	0.6	0.5	0.2	-	0.9	0.5
(a) Defined Benefit Obligation at the end of year	**1,121.8**	**1,187.9**	**410.1**	**412.5**	**477.0**	**541.1**	**2,008.9**	**2,141.5**

6.3.3.3 Sensitivity of the defined benefit obligation and the current service cost

The Group defined benefit obligation is especially sensitive to discount and inflation rates.

A 1% increase in the discount rate would decrease the defined benefit obligation by approximately €305 million and the current service cost of the next year by €7 million. A 1% decrease in the discount rate would increase the defined benefit obligation by €361 million and the current service cost of the next year by €8 million.

Conversely, a 1% increase in the inflation rate would increase the defined benefit obligation by approximately €270 million and the current service cost by €6 million. A 1% decrease in the inflation rate would decrease the defined benefit obligation by €235 million and the current service cost by €5 million.

6.3.4 Change in the funding status of post-employment benefit obligations and the provision

	United Kingdom		France		Other countries		TOTAL	
(€ million)	2015 re-presented	2016	2015 re-presented	2016	2015 re-presented	2016	2015 re-presented	2016
(a) Defined Benefit Obligation at the end of year	1,121.8	1,187.9	410.1	412.5	477.0	541.1	2,008.9	2,141.5
(b) Fair value of plan assets at end of year	1,057.7	1,069.2	97.6	94.9	174.2	198.5	1,329.5	1,362.6
Funding status = (b) – (a)	**(64.1)**	**(118.7)**	**(312.5)**	**(317.6)**	**(302.8)**	**(342.6)**	**(679.4)**	**(778.9)**
Provisions	(85.6)	(136.3)	(312.6)	(317.6)	(303.2)	(342.6)	(701.4)	(796.5)
Prepaid benefits *(regimes with a funding surplus)*	21.5	17.6	0.1	-	0.4	-	22.0	17.6

Provisions for post-employment benefits total €796.5 million, compared with €701.4 million in 2015. These amounts do not include any provisions in respect of operations in the course of divestiture.

6.3.5 Plan assets

6.3.5.1 Change in plan assets

The following table presents plan assets funding obligations in respect of defined benefit pension plans and other post-employment benefits.

	As of December 31,							
	United Kingdom		France		Other countries		TOTAL	
Change in plan assets *(€ million)*	2015 re-presented	2016	2015 re-presented	2016	2015 re-presented	2016	2015 re-presented	2016
Fair value of plan assets at beginning of the year	**1,041.6**	**1,057.7**	**103.3**	**97.6**	**154.2**	**174.2**	**1,299.1**	**1,329.5**
Actual return on plan assets	(31.0)	194.5	2.2	3.8	4.9	20.2	(23.9)	218.5
o/w interest income	39.9	36.2	2.0	2.2	2.9	2.4	44.8	40.8
o/w return on plan assets excluding amounts included in interest income	(70.9)	158.3	0.2	1.6	2.0	17.8	(68.7)	177.7
Employer contributions	21.1	21.2	0.4	0.1	4.4	4.1	25.9	25.4
Plan participants' contributions	0.8	0.5	-	-	1.6	1.5	2.4	2.0
Benefits obligation assumed on acquisition of subsidiaries	-	-	-	0.2	-	11.7	-	11.9
Benefits obligation transferred on divestiture of subsidiaries	-	-	-	(0.1)	-	-	-	(0.1)
Settlements	-	(8.2)	-	-	-	(1.5)	-	(9.7)
Benefits paid	(37.9)	(37.5)	(8.2)	(6.7)	(5.9)	(13.2)	(52.0)	(57.4)
Administrative expenses paid by the fund	(1.0)	(0.7)	-	-	(0.2)	(0.1)	(1.2)	(0.8)
Foreign exchange translation	64.1	(158.3)	-	-	14.9	1.6	79.0	(156.7)
Other	-	-	(0.1)	-	0.3	-	0.2	-
(b) Fair value of plan assets at end of the year	**1,057.7**	**1,069.2**	**97.6**	**94.9**	**174.2**	**198.5**	**1,329.5**	**1,362.6**

Investment policy

In the United Kingdom, the investment policy is defined by the pension fund. Funding levels and the contribution payment schedule are negotiated by the employer and the Trustee, based on triennial actuarial valuations. Contributions include both the funding of the shortfall in relation to past rights and service costs for future years. In 2016, no triennial valuation was performed for the United Kingdom funds.

United Kingdom pension funds aim to attain 100% technical coverage of liabilities within 10 years, while maintaining a risk level considered as acceptable by all parties (Trustees and employers). In order to achieve that goal, plan assets are allocated within two portfolios:

- A Liability Driven Investment portfolio (where flows best match liabilities and the value of which fluctuates in line with the liability value). This portfolio mainly includes inflation-linked bonds issued or guaranteed by the UK government and derivatives with leading banking counterparties, with which collateralization contracts have been signed in order to minimize counterparty risk.
- A portfolio of growth assets invested in a diverse range of asset classes (equities, bonds, diversified funds, etc.) and seeking to outperform the liabilities. For most of these asset classes, the investment is implemented through passive management funds with the objective of replicating a given index (the various FTSE indexes for the different global regions in the case of shares, etc.). Over the last few years, an asset class diversification policy has obtained a considerable reduction in the risk exposure of this growth portfolio, while maintaining expected return at a level allowing the deficit reduction objective to be achieved.

Throughout the year, a hedging policy covering some financial risks (particularly foreign exchange, inflation and interest rate) was implemented, in order to reduce the fund's exposure to these risks and therefore reduce the risk of increased contributions. These hedges were implemented using derivatives (currency forwards, total return swaps on gilts, interest rate swaps, etc.).

In **France**, the Group's assets are placed primarily with insurance companies and invested in the general insurance fund. The French General Insurance Code (*Code général des assurances*) requires insurance companies to provide a minimum rate of return on these funds, calculated primarily based on the rate offered by government bonds.

Investment and return on assets

On average, Group pension plan assets were invested as follows:

	2015 re-presented	2016
Unquoted assets	**17.3%**	**19.1%**
Liquid unquoted assets - Investment funds (general insurance fund)	7.1%	8.8%
Non-liquid unquoted assets - Investment funds *	8.8%	8.7%
Unquoted assets - Other	1.4%	1.6%
Quoted assets (liquid)	**81.9%**	**80.4%**
Government bonds **	23.9%	29.2%
Corporate bonds	4.2%	3.0%
Shares	8.0%	4.9%
Diversified Investment funds	44.2%	41.7%
Liquid quoted assets - Other	1.6%	1.6%
Liquid assets	**0.8%**	**0.5%**
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.*

For the entire Group, the actual return rate on plan assets in 2016 and 2015 was 16.2 % and -1.8% respectively and reflects market performance based on the asset investment profiles.

In 2016, the value of plan assets increased thanks to the good performance of equity markets, the tightening of credit spreads on corporate bonds and an upturn in inflation expectations, which was positive for inflation-linked derivatives.

The Group plans to make contributions of €27.9 million to defined benefit plans in 2016.

6.3.5.2 Change in reimbursement RIGHTS

Reimbursement rights recorded as assets totaled €1.4 million as of December 31, 2016, compared with €3.5 million as of December 31, 2015. This right to reimbursement concerns the portion of employee rights to post-employment benefits corresponding to periods during which the employee was employed by a previous employer or where the operating contract stipulates that employee entitlement to post-employment benefits is due by a third party.

6.3.6 Impact on Comprehensive Income

The net benefit cost breaks down as follows:

	As of December 31							
	United Kingdom		France		Other countries		TOTAL	
(€ million)	2015 re-presented	2016	2015 re-presented	2016	2015 re-presented	2016	2015 re-presented	2016
Service cost	5.4	0.4	16.2	30.3	15.3	22.2	36.9	52.9
o/w Current service cost	*4.8*	*3.3*	*21.1*	*20.6*	*19.4*	*21.0*	*45.3*	*44.9*
o/w Past service cost	*0.6*	*(2.9)*	*(4.9)*	*9.7*	*(4.1)*	*1.2*	*(8.4)*	*8.0*
Net interest expense	1.9	2.2	5.7	6.2	7.9	7.7	15.5	16.1
o/w interest cost	*41.8*	*38.4*	*7.7*	*8.4*	*10.8*	*10.1*	*60.3*	*56.9*
o/w interest income on plan assets	*(39.9)*	*(36.2)*	*(2.0)*	*(2.2)*	*(2.9)*	*(2.4)*	*(44.8)*	*(40.8)*
Interest income on right to reimbursement	-	-	(0.1)	(0.1)	-	-	(0.1)	(0.1)
Administrative expenses paid by the fund	1.0	0.6	-	-	0.2	0.2	1.2	0.8
Other	-	-	1.0	2.0	-	-	1.0	2.0
Net benefit cost recognized in the Consolidated Income Statement	**8.3**	**3.2**	**22.8**	**38.4**	**23.4**	**30.1**	**54.5**	**71.7**
Return on plan assets excluding amounts included in interest income	70.9	(158.3)	(0.2)	(1.6)	(2.0)	(17.8)	68.7	(177.7)
Actuarial (gains) losses arising from experience adjustments	(0.1)	(7.4)	0.8	(6.5)	(0.1)	16.6	0.6	2.7
Actuarial (gains) losses arising from changes in demographic assumptions	(9.9)	(1.2)	1.2	(1.6)	3.2	0.8	(5.5)	(2.0)
Actuarial (gains) losses arising from changes in financial assumptions	(53.7)	251.8	(8.9)	(7.6)	6.9	26.4	(55.7)	270.6
Net benefit cost recognized in other comprehensive income	**7.2**	**84.9**	**(7.1)**	**(17.3)**	**8.0**	**26.0**	**8.1**	**93.6**
NET BENEFIT COST RECOGNIZED IN TOTAL COMPREHENSIVE INCOME	**15.5**	**88.1**	**15.7**	**21.1**	**31.4**	**56.1**	**62.6**	**165.3**

The costs in the Consolidated Income Statement are recorded in operating income, except for the net interest expense, recorded in net finance costs.

6.4 Compensation and related benefits of key management (related parties)

Group Executive Committee members and directors represent the key management personnel of the Group.

The following table summarizes amounts paid by the Group in respect of compensation and other benefits granted to members of the Company Executive Committee.

Short-term benefits include fixed and variable compensation, employee benefits and directors' fees. Variable compensation comprises amounts paid in fiscal year Y in respect of fiscal year Y-1.

(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016
Short-term benefits, excluding employer contributions	8.9	9.9
Employer contributions	3.7	3.9
Post-employment benefits (1)	0.1	0.1
Other long-term benefits (2)	-	-
Share-based payments	1.6	1.4
Other terms	-	-
TOTAL	**14.3**	**15.3**

(1) Current service cost.
(2) Other compensation vested but payable in the long-term.

As of December 31, 2016, total pension obligations in respect of members of the Executive Committee amount to €3.1 million, compared with €2.6 million as of December 31, 2015.

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 €979,517 in 2016.

Chapter 7, Section 7.4 of the Registration Document contains detailed disclosures on the various compensation and benefits paid to key management personnel of the Group.

NOTE 7 GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

7.1 Goodwill

7.1.1 Movements in goodwill

Goodwill breaks down as follows:

(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016
Gross	5,725.7	5,963.6
Accumulated impairment losses	(1,106.1)	(1,113.4)
NET	4,619.6	4,850.2

7.1.1.1 Main goodwill balances by cash-generating unit

A Cash-Generating Unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For the purpose of impairment tests, goodwill is allocated, from the acquisition date, to each of the cash-generating units or each of the groups of cash-generating units that are expected to benefit from the business combination, referred to hereafter as "goodwill CGUs".

Given the Group's activities, the goodwill CGUs are below operating segments in the organizational structure and generally represent a country or group of countries.

The Group has 26 goodwill CGUs as of December 31, 2016, including 9 with allocated goodwill in excess of €200 million, presented below.

The main goodwill balances in net carrying amount by goodwill CGU (amounts in excess of €200 million) are as follows:

(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016
British Isles	877.8	760.1
France Water	867.6	903.0
Czech Republic and Slovakia	573.2	618.3
Germany	368.0	372.1
Hazardous Waste	80.3	355.9
France Waste	316.3	311.2
VWT	297.4	290.4
Poland	247.5	238.6
North America	219.6	225.8
Goodwill balances > €200 million as of December 31, 2016	**3,847.7**	**4,075.4**
Other goodwill balances < €200 million	771.9	774.8
TOTAL GOODWILL	4,619.6	4,850.2

Goodwill balances of less than €200 million break down by operating segment as follows:

(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016
France	-	-
Europe excluding France	169.3	165.5
Rest of the World	484.0	490.9
Global Businesses	110.1	115.2
Other	8.5	3.2
TOTAL	771.9	774.8

As of December 31, 2016, accumulated impairment losses total -€1,113.4 million and mainly concern goodwill of the Germany (-€493.0 million), North America (-€207.6 million) and Poland (-€96.1 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 **2016** are as follows:

(€ million)	As of December 31, 2015 re-presented	Changes in consolidation scope	Foreign exchange translation	Impairment losses	Transfers to Assets classified as held for sale	Other	As of December 31, 2016
France	1,183.9	30.2	0.2	-	-	(0.1)	**1,214.2**
Europe excluding France	2,235.8	47.3	(131.8)	3.3	-	-	**2,154.6**
Rest of the World	703.6	8.2	7.7	(0.1)	(4.2)	1.5	**716.7**
Global Businesses	487.9	259.7	13.7	-	-	0.2	**761.5**
Other	8.4	(5.4)	(0.1)	-	-	0.3	**3.2**
TOTAL GOODWILL	**4,619.6**	**340.0**	**(110.3)**	**3.2**	**(4.2)**	**1.9**	**4,850.2**

The main movements in Group goodwill **during 2016** were primarily due to:

- **changes in consolidation scope** in the amount of €340 million, including:
  - provisional goodwill of €254.5 million recognized following the acquisition of Kurion in the Hazardous Waste CGU and the Global Businesses segment (see also Note 3.1.1.1.);
  - goodwill of €44.9 million recognized following the acquisition of Prague Rive in the Czech Republic;
- **foreign exchange translation** gains and losses of -€110.3 million, mainly due to movements in the pound sterling and the US dollar against the euro in the amount of -€128.3 million and +€27.3 million, respectively.

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 (2022). 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	6.1%	1.7%
British Isles (United Kingdom)	Value in use	6.9%	2.0%
Germany	Value in use	6.1%	2.0%
Czech Republic and Slovakia	Value in use	7.5%	2.0%
Poland	Value in use	7.8%	2.3%
North America	Value in use	7.0%	2.3%

7.1.2.1 Impairment tests results

Impairment tests were performed on all cash-generating units. No material impairment losses were recognized in 2016.

7.1.2.2 Sensitivity of recoverable amounts

Recoverable amounts determined for impairment testing purposes were tested for their sensitivity to a 1% increase in discount rates, a 1% decrease in perpetual growth rates and a 5% decrease in operating cash flows.

The changes in operating cash flows taken into account for the purpose of these sensitivity tests include EBITDA, less investments net of divestitures, plus changes in working capital. They also include the impact of Efficiency and Convergence plans launched by each cash-generating unit at the date of preparation of the Long-Term Plan.

These assumptions are considered reasonable given the Group's activities and the geographic areas of its operations.

For a certain number of cash-generating units, these tests lead to the identification of recoverable amounts lower than the net carrying amount of the cash-generating unit, adjusted where appropriate for impairments recognized during the period:

(€ million)			Difference between the recoverable amount and the net carrying amount			
Cash-Generating Unit	**Net carrying amount at 100%**	**o/w goodwill**	**As of December 31, 2016**	**With an increase in the discount rate (1 %)**	**With an decrease in the perpetual growth rate (1 %)**	**With a decrease in operating cash flows (5%)**
Poland	1,554	239	37	(204)	(154)	(43)
Czech Republic and Slovakia	1,342	618	92	(129)	(85)	20
Germany	1,139	371	203	(81)	(38)	135
Mexico	207	49	4	(19)	(12)	(7)

With regards to the France Water cash-generating unit, action plans launched by the new management and particularly the expected impacts of the reorganization plan lead to a recoverable amount in excess of the net carrying amount, including with a 1% increase in the discount rate, a 1% decrease in the perpetual growth rate or a 5% decrease in operating cash flows. The value of this cash-generating unit nonetheless remains sensitive to the realization of the planned savings and the terms and conditions of contract renewal.

7.2 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. They mainly consist of certain assets recognized in respect of concession arrangements (IFRIC 12).

Intangible assets purchased separately are initially measured at cost in accordance with IAS 38. Intangible assets acquired through business combinations are recognized at fair value separately from goodwill. Subsequently, intangible assets are measured at cost less accumulated amortization and impairment losses. They are tested for impairment where there is indication of loss in value.

7.2.1 Concession intangible assets

Concession intangible assets correspond to the right of the concession holder to bill users of a public service in return for construction services provided by it to the concession grantor under public service contracts in accordance with IFRIC 12, Service Concession arrangements.

This concession holder right is equal to the fair value of the construction of the concession infrastructure plus borrowings costs recognized during the construction period. It is amortized over the contract term in accordance with an appropriate method reflecting the rate of consumption of the concession asset's economic benefits as from the date the infrastructure is brought into service.

Investment grants received in respect of concession arrangements are generally definitively earned and, therefore, are not repayable. In accordance with the option offered by IAS 20, these grants are presented as a deduction from intangible assets and reduce the amortization charge in respect of the concession intangible asset over the residual term of the concession arrangement.

Movements in the net carrying amount of concession intangible assets during 2016 are as follows:

(€ million)	As of December 31, 2015 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, 2016
Concession intangible assets, gross	7,416.6	280.7	(7.8)	-	-	1.0	(129.4)	-	98.0	7,659.1
Amortization and impairment losses	(3,497.3)	-	2.9	(5.4)	(446.0)	(0.3)	28.9	-	33.7	(3,883.5)
CONCESSION INTANGIBLE ASSETS, NET	3,919.3	280.7	(4.9)	(5.4)	(446.0)	0.7	(100.5)	-	131.7	3,775.6

Additions mainly concern France (€151.6 million), Europe excluding France (€67.8 million) and the Rest of the World (€60.9 million).

Other movements mainly concern Europe excluding France in the amount of €135.5 million.

Foreign exchange translation gains and losses are primarily due to movements in the pound sterling (-€106.2 million), the US Dollar (+€5.9 million), the Chinese renminbi (-€4.0 million) and the Moroccan dirham (€4.7 million).

Concession intangible assets break down by operating segment as follows:

(€ million)	Net carrying amount as of December 31, 2015 re-presented	As of December 31, 2016		
		Gross carrying amount	Amortization and impairment losses	Net carrying amount
France	698.0	1,467.9	(743.2)	724.7
Europe excluding France	2,438.6	4,440.6	(2,141.9)	2,298.7
Rest of the World	776.6	1,722.7	(976.9)	745.8
Global Businesses	6.1	27.9	(21.5)	6.4
Other	-	-	-	-
CONCESSION INTANGIBLE ASSETS	3,919.3	7,659.1	(3,883.5)	3,775.6

7.2.2 Other intangible assets

Other intangible assets mainly consist of entry fees paid to local authorities for public service contracts, the value of contracts acquired through business combinations ("contractual rights"), patents, licenses, software and operating rights.

Other intangible assets are amortized on a straight-line basis over their useful life, unless another systematic amortization basis better reflects the rate of consumption of the asset.

Useful lives are as follows:

	Range of useful lives in number of years *
Entry fees paid to local authorities	3 to 80
Purchased contractual rights	3 to 35
Purchased software	3 to 10
Other intangible assets	1 to 30

* *The range of useful lives is due to the diversity of intangible assets concerned.*

Other intangible assets break down as follows:

(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016
INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE, NET	15.4	13.8
Intangible assets with a definite useful life, gross	3,080.2	3,291.0
Amortization and impairment losses	(2,177.6)	(2,292.1)
INTANGIBLE ASSETS WITH A DEFINITE USEFUL LIFE, NET	902.6	998.9
OTHER INTANGIBLE ASSETS, NET	918.0	1,012.7

Movements in the net carrying amount of other intangible assets during **2016** are as follows:

(€ million)	**As of December 31, 2015 re-presented**	Additions	Disposals	Impairment losses	Amortization	Changes in scope of consolidation	Foreign exchange translation	Other	**As of December 31, 2016**
INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE, NET	**15.4**	**0.6**	**-**	**(1.5)**	**-**	**(0.3)**	**-**	**(0.4)**	**13.8**
Entry fees paid to local authorities	120.0	1.4	(0.5)	-	(27.6)	-	(0.4)	(2.6)	**90.3**
Purchased contractual rights	361.2	-	(0.6)	(7.5)	(39.3)	34.2	0.4	(0.4)	**348.0**
Purchased software	150.3	54.8	(1.2)	(0.1)	(57.7)	5.9	(0.6)	7.2	**158.6**
Purchased customer portfolios	31.3	1.1	-	-	(5.6)	38.8	0.3	6.1	**72.0**
Other purchased intangible assets	131.3	24.9	(0.2)	(0.1)	(23.7)	84.2	9.6	2.7	**228.7**
Other internally-developed intangible assets	108.5	19.1	-	(0.3)	(30.8)	(2.7)	(1.6)	9.2	**101.4**
INTANGIBLE ASSETS WITH AN DEFINITE USEFUL LIFE, NET	**902.6**	**101.3**	**(2.5)**	**(8.0)**	**(184.7)**	**160.4**	**7.7**	**22.1**	**998.9**
OTHER INTANGIBLE ASSETS	**918.0**	**101.9**	**(2.5)**	**(9.5)**	**(184.7)**	**160.1**	**7.7**	**21.7**	**1,012.7**

Intangible assets with an indefinite useful life are primarily trademarks.

Entry fees paid to local authorities in respect of public service contracts total €90.3 million as of December 31, 2016, including €69.4 million in France, compared with €120.0 million as of December 31, 2015, including €91.7 million in France. Amortization of entry fees paid at the beginning of concession arrangements, calculated over the contract term, totaled -€27.6 million in 2016, including -€22.7 million for France.

Additions mainly concern acquisitions of software in the amount of €54.8 million.

Changes in scope of consolidation mainly concern Pedreira (Brazil) in the amount of €56.1 million, Kurion in the amount of €44.0 million and Sinopec in Asia in the amount of €27.5 million.

7.3 Property, plant and equipment

Property, plant and equipment are recorded at historical acquisition cost, less accumulated depreciation and any accumulated impairment losses.

Borrowing costs attributable to the acquisition or construction of identified installations, incurred during the construction period, are included in the cost of those assets in accordance with IAS 23, Borrowing Costs.

Property, plant and equipment are recorded by component, with each component depreciated over its useful life.

Useful lives are as follows:

	Range of useful lives in number of years *
Buildings	20 to 50
Technical installations	7 to 35
Vehicles	3 to 25
Other plant and equipment	3 to 12

* *The range of useful lives is due to the diversity of tangible assets concerned.*

Property, plant and equipment are primarily depreciated on a straight-line basis, unless another systematic depreciation basis better reflects the rate of consumption of the asset.

They are tested for impairment where there is indication of loss in value.

In accordance with the option offered by IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, investment grants are deducted from the gross carrying amount of property, plant and equipment to which they relate. When the construction of an asset covers more than one period, the portion of the grant not yet used is recorded in "Other liabilities" in the Consolidated Statement of Financial Position.

7.3.1 Movements in the net carrying amount of property, plant and equipment

Movements in the net carrying amount of property, plant and equipment during **2016** are as follows:

(€ million)	As of December 31, 2015 re-presented	Additions	Disposals	Impairment losses	Depreciation	Change in scope of consolidation	Foreign exchange translation	Other movements	As of December 31, 2016
Property, plant and equipment, gross	17,427.1	1,057.8	(596.3)	-	-	453.1	(250.6)	(272.6)	**17,818.5**
Depreciation and impairment losses	(10,606.8)	-	547.1	(50.7)	(873.1)	14.0	174.2	154.0	**(10,641.3)**
Property, plant and equipment, net	**6,820.3**	**1,057.8**	**(49.2)**	**(50.7)**	**(873.1)**	**467.1**	**(76.4)**	**(118.6)**	**7,177.2**

Additions mainly concern France (€168.0 million), Europe excluding France (€428.4 million) and the Rest of the World (€338.0 million).

Disposals, net of impairment losses and depreciation, of -€49.2 million mainly concern:

- France (-€13.7 million);
- Europe excluding France (-€21.5 million), including -€10.5 million in the United Kingdom in respect of transfer of two waste transfer stations;
- and the Rest of the World (-€7.1 million).

The main **Impairment losses** recognized in 2016 in respect of property, plant and equipment primarily concern the Europe excluding France operating segment (-€46.6 million).

Depreciation of –€873.1 million mainly concerns France in the amount of -€193.8 million, Europe excluding France in the amount of -€339.3 million and the Rest of the World in the amount of -€218.5 million.

Foreign exchange translation gains and losses are primarily due to the appreciation of the US Dollar against the euro in the amount of €49.7 million, the pound sterling in the amount of -€80.2 million and the Polish zloty in the amount of -€43.1 million.

Changes in consolidation scope mainly concern:

- the Rest of the World operating segment in the amount of €420.6 million and primarily the acquisition of control of VNA Regeneration Services LLC (€286.5 million);
- the France operating segment (€36.2 million) and primarily the acquisition of control of the M2O business (€35.0 million).

Property, plant and equipment break down by operating segment as follows:

(€ million)	Net value As of December 31, 2015	As of December 31, 2016 Gross carrying amount	Depreciation and impairment losses	Net carrying amount
France	1,053.4	3,673.3	(2,644.4)	1,028.9
Europe excluding France	3,134.4	7,347.0	(4,341.4)	3,005.6
Rest of the World	1,981.0	4,418.1	(1,938.3)	2,479.8
Global businesses	584.9	2,177.5	(1,590.4)	587.1
Other	66.6	202.6	(126.8)	75.8
PROPERTY, PLANT AND EQUIPMENT	**6,820.3**	**17,818.5**	**(10,641.3)**	**7,177.2**

The breakdown of property, plant and equipment by class of assets is as follows:

(€ million)	Net carrying amount As of December 31, 2015	As of December 31, 2016 Gross carrying amount	Depreciation and impairment losses	Net carrying amount
Land	567.0	1,273.0	(679.8)	593.2
Buildings	1,274.2	2,830.7	(1,636.8)	1,193.9
Technical installations, plant and equipment	3,654.2	9,311.6	(5,374.4)	3,937.2
Travelling systems and other vehicles	480.4	2,093.1	(1,552.3)	540.8
Other property, plant and equipment	260.6	1,664.3	(1,367.4)	296.9
Property, plant and equipment in progress	583.8	645.8	(30.6)	615.2
PROPERTY, PLANT AND EQUIPMENT	**6,820.3**	**17,818.5**	**(10,641.3)**	**7,177.2**

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:

(€ million)	Property, plant and equipment	Concession intangible assets	Operating financial assets	Total
December 31, 2016	**90.4**	**16.7**	**97.3**	**204.4**
December 31, 2015	82.4	31.0	108.6	222.0

7.3.3 Operating leases

Future minimum lease payments under operating leases amount to €1,682.1 million as of December 31, 2016, compared with €1,505.5 million as of December 31, 2015.

As of December 31, 2016, future minimum lease payments under these contracts were as follows:

(€ million)	Operating lease
2017	350.1
2018 & 2019	507.0
2020 & 2021	329.9
2022 and thereafter	495.1
TOTAL FUTURE MINIMUM LEASE PAYMENTS	1,682.1

Lease payments for the period break down as follows:

(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016
Minimum lease payments expensed in the year	443.7	467.1
Contingent rent expensed in the year	2.5	4.3
TOTAL LEASE PAYMENTS FOR THE YEAR	446.2	471.4

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 rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the estimated term of the financial instrument or, where applicable, over a shorter period, to the net carrying amount of the financial asset or liability.

(€ million)	Non-current As of December 31, 2015 re-presented	Non-current As of December 31, 2016	Current As of December 31, 2015 re-presented	Current As of December 31, 2016	Total As of December 31, 2015 re-presented	Total As of December 31, 2016
Bond issues	**7,291.2**	**7,705.5**	**400.2**	**1,291.7**	**7,691.4**	**8,997.2**
• maturing < 1 year	-	-	400.2	1,291.7	400.2	1,291.7
• maturing 2-3 years	1,857.6	1,146.5	-	-	1,857.6	1,146.5
• maturing 4-5 years	1,010.9	1,818.3	-	-	1,010.9	1,818.3
• maturing > 5 years	4,422.7	4,740.7	-	-	4,422.7	4,740.7
Other borrowings	**731.1**	**638.5**	**3,599.9**	**3,468.0**	**4,331.0**	**4,106.5**
• maturing < 1 year	-	-	3,599.9	3,468.0	3,599.9	3,468.0
• maturing 2-3 years	330.6	299.6	-	-	330.6	299.6
• maturing 4-5 years	146.7	138.5	-	-	146.7	138.5
• maturing > 5 years	253.8	200.4	-	-	253.8	200.4
TOTAL CURRENT AND NON-CURRENT BORROWINGS	**8,022.3**	**8,344.0**	**4,000.1**	**4,759.7**	**12,022.4**	**13,103.7**

The heading "Net increase/decrease in current borrowings" in the Consolidated Cash Flow Statement includes redemptions of current bonds in the amount of -€404.6 million in 2016 and increases and repayments of other current borrowings of -€154.8 million. This heading does not include accrued interest payable of -€11.2 million in 2016, presented on the line "Interest paid" in the Consolidated Cash Flow Statement.

The heading "New non-current borrowings and other debts" in the Consolidated Cash Flow Statement includes non-current bond issues in the amount of €1,932.8 million in 2016 and new other non-current borrowings of €117.3 million. However, it excludes new finance lease obligations of €17.8 million in 2016, 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 -€87.2 million in 2016 and principal payments on other non-current borrowings of -€89.0 million.

8.1.1.1 Changes in non-current and current bond issues

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 ("OCEANE") maturing March 15, 2021 by way of a private placement without shareholders' preferential subscription rights, of a nominal amount of €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.

The OCEANE bonds convertible into and/or exchangeable for new and/or existing shares are recognized in accordance with IAS 32, Financial Instruments: Presentation. Pursuant to this standard, where a financial instrument comprises different components with debt and equity characteristics, the issuer must classify these components separately according to their nature.

In this case, the debt component was measured, at the issue date, by discounting future cash flows at the market rate (adjusted for Veolia credit risk) for debt with similar characteristics but without a share conversion or redemption option.

The conversion option was then measured as the difference between the bond issue price and the fair value of the debt component and recorded in Consolidated reserves in equity.

Following this initial measurement of the debt and equity component, the debt component is subsequently measured at amortized cost. The interest expense on the debt is calculated at the effective interest rate of 0.0768% and recognized in net finance costs. The equity component is not remeasured.

Veolia received cash of €714.9 million and recognized a debt of €697.3 million in the accounts at the issue date.

Offering of a Panda Bond

On September 1, 2016, Veolia Environnement successfully issued a bond for a nominal amount of 1 billion renminbi (€135 million) on the Chinese domestic market ("Panda Bond").

This bond issue, the first by a French issuer on the Panda market, was performed via a private placement, and bears interest of 3.5 % for a 3 year maturity.

€1.1 billion bond issue

On October 4, 2016, Veolia successfully performed at par a dual tranche bond issue of €1.1 billion, comprising a €600 million tranche maturing in October 2023 (7-year maturity) and bearing a coupon of 0.314% and a €500 million tranche maturing in January 2029 (12-year maturity) and bearing a coupon of 0.927%.

Non-current and current bond issues break down as follows:

(€ million)	As of December 31, 2015 re-presented	Increases / subscriptions	Repayments	Changes in consolidation scope	Fair value adjustments (1)	Foreign exchange translation	Non-current / current reclassification	Other	As of December 31, 2016
Non-current bond issues	7,291.2	1,932.8	(87.2)	-	(12.5)	(121.6)	(1,297.3)	0.1	7,705.5
Current bond issues	400.2	-	(404.6)	-	-	(0.6)	1,297.3	(0.6)	1,291.7
TOTAL BOND ISSUES	7,691.4	1,932.8	(491.8)	-	(12.5)	(122.2)	-	(0.5)	8,997.2

(1) *Fair value adjustments are recorded in financial income and expenses.*

Increases/subscriptions mainly concern the issue by Veolia Environnement of bonds convertible and/or exchangeable for new and/or existing shares (OCEANE) with a nominal amount of €700 million on March 8, 2016, a one billion renminbi bond issue (€135 million) on the Chinese domestic market ("Panda Bond") on September 1, 2016 and a dual tranche bond issue of €1.1 billion, comprising a €600 million tranche and €500 million tranche, on October 4, 2016.

Repayments mainly comprise the repayment at maturity on February 12, 2016 of the 2016 euro bond line in the nominal amount of €382 million. It is recalled that, in 2015, the Group had already repaid the 2015 inflation-linked euro bond line maturing in June 2015 in the nominal amount of €1,032 million.

Non-current/current reclassifications total €1,297.3 million and mainly concern the euro bond line maturing in January 2017 in the amount of €607.6 million, the euro bond line maturing in June 2017 in the amount of €251.7 million, the CNY bond line maturing in June 2017 in the amount of €68.0 million (euro equivalent) and the floating-rate euro bond line maturing in May 2017 in the amount of €350.0 million.

Foreign exchange translations losses total -€122.2 million and mainly concern the translation at the year-end exchange rate of the GBP bond line maturing in 2037 with a euro equivalent value of €764.8 million as of December 31, 2016.

Non-current bond issues break down by maturity as follows:

(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016	Maturity		
			2 to 3 years	4 to 5 years	> 5 years
Publicly offered or trade issuances (a)	7,147.3	6,753.0	980.3	1,100.5	4,672.2
European market (i)	6,746.9	6,340.2	980.3	1,100.5	4,259.4
American market (ii)	400.4	412.8	-	-	412.8
Bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)	-	697.7	-	697.7	-
Panda Tranche 1	-	135.7	135.7	-	-
Stirling Water Seafield Finance bond issue (b)	82.2	65.3	11.3	12.9	41.1
Other < €50 million in 2015 and 2016	61.7	53.8	19.2	7.2	27.4
NON-CURRENT BOND ISSUES	7,291.2	7,705.5	1,146.5	1,818.3	4,740.7

(a) *Publicly offered or trade issuances.*

i. *European market: as of December 31, 2016, an amount of €7,617.4 million is recorded in the Consolidated Statement of Financial Position in respect of bonds issued under the European Medium Term Notes (EMTN) Program, including €6,340.2 million maturing in more than one year. The impact of the fair value remeasurement of hedged interest rate risk is €2.5 million at the year-end (non-current portion).*

ii. *US market: as of December 31, 2016, remaining nominal outstandings on the bond issues performed in the United States on May 27, 2008 total USD 400.0 million, maturing June 1, 2038 and paying fixed-rate interest of 6.75% (Tranche 3). Tranche 1 of USD 490 million, paying fixed-rate interest of 5.25% matured on June 3, 2013 and Tranche 2, maturing June 1, 2018, of USD 408 million, paying fixed-rate interest of 6% was bought back in full on December 21, 2014.*

(b) *Stirling Water Seafield Finance bond issue: the outstanding nominal balance as of December 31, 2016 on the amortizable bond issue performed in 1999 by Stirling Water Seafield Finance (Veolia Water UK subsidiary, Water activities), is GBP 59.3 million (current and non-current portion). This bond issue is recognized at amortized cost for a euro equivalent of €65.3 million as of December 31, 2016 (non-current portion). This bond matures on September 26, 2026.*

Breakdown of **non-current bond issues** by main component:

Transaction *(all amounts are in € million)*	**Final maturity**	**Currency**	**Nominal**	**Interest rate**	**Net carrying amount**
Series 11	5/28/2018	EUR	472	5.375 %	496
Series 12	11/25/2033	EUR	700	6.125 %	695
Series 18	12/11/2020	EUR	431	4.375 %	482
Series 23	5/24/2022	EUR	645	5.125 %	692
Series 24	10/29/2037	GBP	886	6.125 %	765
Series 26	4/24/2019	EUR	462	6.750 %	485
Series 28 (PEO)	1/6/2021	EUR	638	4.247%	618
Series 29 (PEO)	3/30/2027	EUR	750	4.625%	676
Series 31 (PEO)	1/10/2028	EUR	500	1.590%	365
Series 32	10/4/2023	EUR	600	0.314%	599
Series 34	1/4/2029	EUR	500	0.927%	469
Total bond issues (EMTN)	N/A	N/A	6,457	N/A	6,340
USD Series Tranche 3	6/1/2038	USD	379	6.750 %	413
Total publicly offered or traded issuances in USD	N/A	N/A	379		413
Bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)	3/15/2021	EUR	700	0	698
Total bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)	N/A	N/A	700	N/A	698
Panda Tranche 1	9/1/2019	RMB	136	3.500 %	136
Total private issues in Renminbi	N/A	N/A	136	N/A	136
Stirling Water Seafield Finance bond issue	9/26/2026	GBP	64	5.822 %	65
Total principal bond issues	N/A	N/A	7,736	N/A	7,652
Total other bond issues	N/A	N/A		N/A	54
TOTAL NON-CURRENT BOND ISSUES	N/A	N/A		N/A	7,706

8.1.1.2 Changes in other financial liabilities

(€ million)	**As of December 31, 2015 re-presented**	Net movement	Changes in consolidation scope	Fair value adjustments	Foreign exchange translation	Non-current / current reclassification	Transfers to Liabilities classified as held for sale	Other	As of December 31, 2016
Other non-current financial liabilities	731.1	28.2	35.6	(0.5)	(4.5)	(154.4)	-	3.0	638.5
Other current financial liabilities	3,599.9	(154.7)	14.9	(0.2)	(144.5)	154.4	-	(1.8)	3,468.0
OTHER FINANCIAL LIABILITIES	4,331.0	(126.5)	50.5	(0.7)	(149.0)	-	-	1.2	4,106.5

Movements in financial liabilities during **2016** are as follows:

Other non-current financial liabilities mainly comprise finance lease obligations (€154.3 million as of December 31, 2016 and €164.9 million as of December 31, 2015), the non-recourse debt carried by Redal and Amendis in Morocco (Water) maturing between December 31, 2018 and March 31, 2023 of €73.0 million and €34.2 million, respectively, as of December 31, 2016 and €101.7 million and €62.3 million, respectively, as of December 31, 2015, the debt carried by International Water Services Guayaquil Interagua in Ecuador (Water) of €33.6 million as of December 31, 2016 compared with €11.5 million as of December 31, 2015 and the debt carried by Veolia Sunshine (Harbin) Heat Power in China (Energy) of €37.5 million as of December 31, 2016 compared with €52.0 million as of December 31, 2015.

Changes in consolidation scope mainly concern the acquisition of control of Sinopec in Asia in the amount of €19.8 million and in Hungary in the amount of €14.8 million.

Other current financial liabilities total €3,468.0 million as of December 31, 2016, compared with €3,599.9 million as of December 31, 2015.

Net movements in other current financial liabilities in 2016 mainly reflect the decrease in treasury notes issued in the amount of €177.8 million.

Changes in consolidation scope mainly concern the acquisition of a plastic recycling business (Victory Renova) in the amount of €14.8 million.

As of December 31, 2016, other current financial liabilities mainly concern:

- Veolia Environnement for €2,981.5 million (including treasury notes of €2,764.8 million and accrued interest on debt of €168.3 million);
- certain subsidiaries of the Other operating segment in the amount of €14.6 million;
- France in the amount of €57.7 million;
- Europe excluding France in the amount of €124.7 million;
- the Rest of the World operating segment in the amount of €251.1 million;
- Global Businesses in the amount of €38.4 million.

The current portion of Group finance lease obligations is €33.2 million as of December 31, 2016, compared with €33.4 million as of December 31, 2015.

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 €10,716.3 million as of December 31, 2016 and €9,470.7 million as of December 31, 2015;
- pound sterling-denominated debts total €893.2 million as of December 31, 2016 and €1,048.2 million as of December 31, 2015;
- US dollar-denominated debts total €858.6 million as of December 31, 2016 and €901.0 million as of December 31, 2015.

8.1.2 Non-current and current financial assets

Financial assets include assets classified as available-for-sale and held-to maturity, assets at fair value through profit or loss, derivative assets, loans and receivables and cash and cash equivalents.

Financial assets are initially recognized at fair value plus transaction costs, where the assets concerned are not subsequently measured at fair value through profit or loss. Where the assets are measured at fair value through profit or loss, transaction costs are expensed directly to net income.

The Group classifies financial assets in one of the four categories identified by IAS 39 on the acquisition date.

Held-to maturity assets

Held-to-maturity assets are exclusively financial assets with fixed or determinable payments and fixed maturities, other than loans and receivables that the Group acquires with the positive intention and ability to hold to maturity. After initial recognition at fair value, held-to-maturity assets are recognized and measured at amortized cost using the effective interest rate method (EIR).

Held-to-maturity assets are reviewed for objective evidence of impairment. An impairment loss is recognized if the carrying amount of the financial asset exceeds the present value of future cash flows discounted at the initial effective interest rate (EIR). The impairment loss is recognized in profit or loss.

Net gains and losses on held-to-maturity assets consist of interest income and impairment losses.

Available-for-sale assets

Available-for-sale assets mainly consist of non-consolidated investments and marketable securities that do not qualify for inclusion in other financial asset categories. They are measured at fair value, with fair value movements recognized directly in other comprehensive income, except where there is a material or long-term unrealized capital loss. This can arise when future cash flows decrease to such an extent that the fair value of these assets falls materially or long-term below the historical cost. Where this is the case, the impairment loss is recognized in the Consolidated Income Statement. Impairment reversals are recognized in profit or loss for debt securities only (receivables and bonds).

Amounts recognized in other comprehensive income are reclassified to profit or loss on the sale of the available-for-sale assets. Fair value is equal to market value in the case of quoted securities and to an estimate of the fair value in the case of unquoted securities, determined based on financial criteria most appropriate to the specific situation of each security. Non-consolidated investments which are not quoted in an active market and for which the fair value cannot be measured reliably, are recorded by the Group at historical cost less any accumulated impairment losses.

Net gains and losses on available-for-sale assets consist of interest income, dividends, impairment losses and capital gains and losses on disposals.

Loans and receivables

This category includes loans to non-consolidated investments, operating financial assets, other loans and receivables and trade receivables. After initial recognition at fair value, these instruments are recognized and measured at amortized cost using the effective interest rate method.

An impairment loss is recognized if, where there exists an indication of impairment, the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial EIR. The impairment loss is recognized in profit or loss.

The impairment of trade receivables is calculated using two methods:

- a statistical method: this method is based on past losses and involves the application of a provision rate by category of aged receivables. The analysis is performed for a group of similar receivables, presenting similar credit characteristics as a result of belonging to a customer category and country;
- an individual method: the probability and amount of the loss is assessed on an individual case basis in particular for non-State public debtors (past due period, other receivables or payables with the counterparty, rating issued by an external rating agency, geographical location).

Net gains and losses on loans and receivables consist of interest income and impairment losses.

Assets and liabilities at fair value through profit or loss

This category includes:

- trading assets and liabilities acquired by the Group for the purpose of selling them in the near term and which form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives not qualifying for hedge accounting are also considered trading assets and liabilities;
- assets designated at fair value and primarily the portfolio of cash UCITS whose performance and management is based on fair value.

Changes in the value of these assets are recognized in the Consolidated Income Statement.

Net gains and losses on assets at fair value through the Consolidated Income Statement consist of interest income, dividends and fair value adjustments.

Net gains and losses on derivatives entered into for trading purposes consist of swapped flows and the change in the value of the instrument.

8.1.2.1 Other non-current and current financial assets

Other non-current and current financial assets break down as follows:

	Non-current		Current		Total	
(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016	As of December 31, 2015 re-presented	As of December 31, 2016	As of December 31, 2015 re-presented	As of December 31, 2016
Gross	817.2	443.4	253.4	321.6	1,070.6	765.0
Impairment losses	(78.5)	(82.5)	(39.5)	(44.1)	(118.0)	(126.6)
FINANCIAL ASSETS IN LOANS AND RECEIVABLES, NET	738.7	360.9	213.9	277.5	952.6	638.4
OTHER FINANCIAL ASSETS	19.7	16.1	1.8	2.8	21.5	18.9
LIQUID ASSETS AND FINANCING FINANCIAL ASSETS	-	8.6	-	4.4	-	13.0
TOTAL OTHER FINANCIAL ASSETS, NET	758.4	385.6	215.7	284.7	974.1	670.3

8.1.2.2 Changes in other non-current financial assets

Changes in the value of other non-current financial assets during **2016** are as follows:

(€ million)	**As of December 31, 2015 re-presented**	Additions	Repayments / disposals	Changes in consolidation scope	Impairment losses (1)	Foreign exchange translation	Non-current / current reclassification	Transfers to Assets classified as held for sale	Other	As of December 31, 2016
Gross	817.2	124.8	(100.8)	(25.7)	(1.2)	(2.1)	(365.3)	(0.2)	(3.3)	443.4
Impairment losses	(78.5)	-	-	-	(1.3)	(2.6)	0.2	-	(0.3)	(82.5)
NON-CURRENT FINANCIAL ASSETS IN LOANS AND RECEIVABLES, NET	738.7	124.8	(100.8)	(25.7)	(2.5)	(4.7)	(365.1)	(0.2)	(3.6)	360.9
OTHER NON-CURRENT FINANCIAL ASSETS	19.7	3.0	(3.4)	1.8	(2.0)	-	(2.2)	-	(0.8)	16.1
LIQUID ASSETS AND FINANCING FINANCIAL ASSETS	-	12.5	(3.5)	-	-	0.2	(4.2)	-	3.6	8.6
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS, NET	758.4	140.3	(107.7)	(23.9)	(4.5)	(4.5)	(371.5)	(0.2)	(0.8)	385.6

(1) *Impairment losses are recognized in financial income and expenses.*

Non-current/current reclassifications mainly concern the transfer of the Transdev Group loan to current financial assets in the amount of €345.0 million prior to its repayment in March 2016.

Non-current financial assets relating to loans and receivables

As of December 31, 2016, the main non-current financial assets in loans and receivables primarily represented loans granted to equity-accounted joint ventures totaling €132.3 million, compared with €479.1 million as of December 31, 2015.

These loans mainly concern the loans granted to the Chinese Water concessions in the amount of €117.1 million. As of December 31, 2015, they also included the Transdev Group loan in the amount of €345.0 million, repaid in full in March 2016.

Other non-current financial assets

Other non-current financial assets are classified as "Available-for-sale assets" in accordance with the principles set out in Note 8.1.2.

Other financial assets held by the Group in countries considered high-risk by the IMF are not material in amount.

8.1.2.3 Movements in current financial assets

Movements in other current financial assets during **2016** are as follows:

(€ million)	**As of December 31, 2015 re-presented**	Repayments / disposals [(1)]	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, 2016
Gross	253.4	(328.9)	9.3	-	24.5	(0.3)	365.3	-	(1.7)	321.6
Impairment losses	(39.5)	-	0.3	-	(3.6)	(0.7)	(0.2)	-	(0.4)	(44.1)
CURRENT FINANCIAL ASSETS IN LOANS AND RECEIVABLES, NET	213.9	(328.9)	9.6	-	20.9	(1.0)	365.1	-	(2.1)	277.5
OTHER CURRENT FINANCIAL ASSETS	1.8	(2.3)	-	(0.1)	-	-	2.2	-	1.2	2.8
LIQUID ASSETS AND FINANCING FINANCIAL ASSETS	-	-	-	-	-	0.2	4.2	-	-	4.4
TOTAL OTHER CURRENT FINANCIAL ASSETS, NET	215.7	(331.2)	9.6	(0.1)	20.9	(0.8)	371.5	-	(0.9)	284.7

(1) "Net decrease/increase in current loans"in the Consolidated Cash Flow Statement (€328.9 million) includes repayments/disposals of other current financial assets of €331.2 million, excluding the net increase/decrease in other current financial assets available for sale (-€2.3 million) presented in "Purchases of/Proceeds on disposal of financial assets".

(2) Impairment losses are recorded in financial income and expenses.

The accounting treatment of other current financial assets relating to loans and receivables complies with the required treatment of loans and receivables as defined by IAS 39. Other financial assets are classified as available-for-sale assets in accordance with the accounting principles described in Note 8.1.2.

8.1.3 Cash and cash equivalents, bank overdrafts and other cash position items

Cash and cash equivalents include all cash balances, certain term deposit accounts, negotiable debt instruments and monetary UCITS.

Cash equivalents are held to meet short-term cash commitments. In order to be considered a cash equivalent, an investment must be readily convertible to a known amount of cash and subject to a negligible risk of change in value, thereby satisfying the requirements of IAS 7.

Term deposit accounts and negotiable debt instruments present characteristics satisfying the requirements of IAS 7 when their yield is based on short-term money-market rates (such as Eonia) and their maturity is less than 3 months (contractually or due to an early exit option exercisable at least every 3 months and held at a low or nil cost, without loss of capital or remuneration received net of the early exit penalty of less than the yield on short-term investments).

UCITS classified in "cash equivalents" comply with Directive 2009/65/EC of the European Commission of July 13, 2009 and constitute short-term monetary UCITS or monetary UCITS (pursuant to the AMF classification no. 2005-02 of January 25, 2005, as amended on May 3, 2011).

Pursuant to AMF Position no. 2011-13 of September 23, 2011, these UCITS are presumed to satisfy the cash equivalent criteria defined by IAS 7. These UCITS can be sold daily on demand, conferring on them the characteristics of short-term, highly liquid investments that are readily convertible to known amounts of cash. These instruments are not intended to be held more than three months and offer a yield similar to the Eonia (European Overnight Index Average) interbank rate, thereby limiting sensitivity to interest rates. The regularity of performance trends does not expose them to a material risk of change in value.

Bank overdrafts repayable on demand which form an integral part of the Group's cash management policy represent a component of cash and cash equivalents for the purposes of the Consolidated Cash Flow Statement.

Cash and cash equivalents are valued at fair value through profit or loss. Note 8.2.1 sets out the method of determining fair value. Cash and cash equivalents belong to fair value levels 1 and 2:

- instruments with a quoted price in an active market in level 1;
- other instruments that are not quoted but the fair value of which is determined using valuation techniques involving standard mathematical calculation methods integrating observable market data, in level 2.

8.1.3.1 Movements in cash and cash equivalents

Movements in cash and cash equivalents and bank overdrafts and other cash position items during **2016** are as follows:

(€ million)	**As of December 31, 2015 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, 2016
Cash	921.2	(113.3)	51.5	-	(0.3)	8.3	(2.5)	864.9
Cash equivalents	3,255.1	1,397.0	4.1	-	(0.8)	-	1.1	4,656.5
CASH AND CASH EQUIVALENTS	4,176.3	1,283.7	55.6	-	(1.1)	8.3	(1.4)	5,521.4
Bank overdrafts and other cash position items	**318.6**	**(98.0)**	**26.3**	**-**	**3.8**	**-**	**(3.9)**	**246.8**
Net cash	**3,857.7**	**1,381.7**	**29.3**	**-**	**(4.9)**	**8.3**	**2.5**	**5,274.6**

(1) *Fair value adjustments are recognized in financial income and expenses.*

Changes in consolidation scope mainly comprise the cash and cash equivalents of the US company Kurion following its acquisition of €28.1 million.

Cash and cash equivalents total €5,521.4 million, including €212.2 million "subject to restrictions" as of December 31, 2016.

The increase in net cash mainly reflects the issue of bonds convertible and/or exchangeable for new and/or existing shares (OCEANE) with a nominal amount of €700 million in March 2016, a one billion renminbi bond issue (€135 million) on the Chinese domestic market ("Panda bond") in September 2016, a €1.1 billion bond issue in October 2016, the repayment of the 2016 euro bond line in the nominal amount of €382 million in February 2016 and a decrease in treasury notes issued of €177.8 million.

As of December 31, 2016, the France segment held cash of €17.4 million, the Europe excluding France segment held cash of €196.6 million, the Rest of the World segment held cash of €260.8 million, the Global Businesses segment held cash of €161.0 million and the Other segment held cash of €229.1 million (including €95.1 million held by Veolia Environnement).

Surplus cash balances of other Group subsidiaries, not pooled at Veolia Environnement level, are invested in accordance with procedures defined by the Group. Note 8.3.2, "Management of liquidity risk", presents a breakdown of investments by nature.

As of December 31, 2016, cash equivalents were primarily held by Veolia Environnement in the amount of €4,553.2 million including monetary UCITS of €3,813.4 million and term deposit accounts of €736.6 million.

Bank overdrafts and other cash position items consist of credit balances on bank accounts and related accrued interest payable, corresponding to brief overdrafts.

8.1.3.2 Management of equity risk

As part of its cash management strategy, Veolia Environnement holds UCITS. These UCITS have the characteristics of monetary UCITS and are not subject to equity risk.

8.2 Fair value of financial assets and liabilities

8.2.1 Principles

The recognition and measurement of financial assets and liabilities is governed by IAS 39. Fair value measurement incorporates, in particular, the risk of non-performance by the Group or its counterparties, determined based on default probabilities taken from rating agency tables.

The fair value of all financial assets and liabilities is determined at the period end; either for recognition in the accounts or disclosure in the notes to the financial statements.

Fair value is determined:

i. based on quoted prices in an active market (level 1) or;

ii. using internal valuation techniques involving standard mathematical calculation methods integrating observable market data (forward rates, interest rate curves, etc.), valuations produced by these models are adjusted to take account of a reasonable change in the credit risk of the group or the counterparty (level 2) or;

iii. using internal valuation techniques integrating factors estimated by the group in the absence of observable market data (level 3).

Quoted prices in an active market (level 1)

When quoted prices in an active market are available, they are used in priority for the determination of the market value. Marketable securities and certain quoted bond issues are valued in this way.

Fair values determined using models integrating observable market data (level 2)

The majority of derivative instruments (swaps, caps, floors, etc.) are traded over the counter and, as such, there are no quoted prices. Valuations are therefore determined using models commonly used by market participants to value such financial instruments.

Valuations calculated internally in respect of derivative instruments are tested every six months for consistency with valuations issued by our counterparties.

The fair value of unquoted borrowings is calculated by discounting contractual flows at the market rate of interest.

The net carrying amount of receivables and payables falling due within less than one year and certain floating-rate receivables and payables is considered a reasonable estimate of their fair value, due to the short payment and settlement periods applied by the Group.

The fair value of fixed-rate loans and receivables depends on movements in interest rates and the credit risk of the counterparty.

Valuations produced by these models are adjusted to take account of changes in Group credit risk.

Fair values determined using models integrating certain non-observable data (level 3)

Derivative instruments valued using internal models integrating certain non-observable data include certain electricity derivative instruments for which there are no quoted prices in an active market (notably for electricity purchase options with extremely long maturity) or observable market data (forward prices for component materials, interest-rate curves, etc.), in particular for distant maturities.

8.2.2 Financial assets

The following tables present the net carrying amount and fair value of Group financial assets as of December 31, 2016, grouped together in accordance with IFRS 7 categories.

		As of December 31, 2016							
		Net carrying amount	Financial assets at fair value			Fair value	Method for determining fair value		
(€ million)	Note	Total	Available-for-sale assets	Loans and receivables	Assets at fair value through the Consolidated Income Statement	Total	Level 1	Level 2	Level 3
Non-consolidated investments		88.0	88.0	-	-	88.0	-	88.0	-
Non-current and current operating financial assets	Note 5.4	1,695.7	-	1,695.7	-	1,991.0	-	1,991.0	-
Other non-current financial assets	Note 8.1.2	385.6	24.7	360.9	-	385.6	-	385.6	-
Trade receivables	Note 5.3	6,528.2	-	6,528.2	-	6,528.2	-	6,528.2	-
Other current operating receivables	Note 5.3	448.1	-	448.1	-	448.1	-	448.1	-
Other current financial assets	Note 8.1.2	284.7	7.2	277.5	-	284.7	-	284.7	-
Non-current and current derivative instruments	Note 8.3	121.6	-	-	121.6	121.6	-	121.6	-
Cash and cash equivalents	Note 8.1.3	5,521.4	-	-	5,521.4	5,521.4	4,678.3	843.1	-
TOTAL		15,073.3	119.9	9,310.4	5,643.0	15,368.6	4,678.3	10,690.3	-

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, 2016, grouped together in accordance with IFRS 7 categories.

		As of December 31, 2016							
		Net carrying amount	Financial liabilities at fair value			Fair value	Method for determining fair value		
(€ million)	Note	Total	Liabilities at amortized cost	Liabilities at fair value through the Consolidated Income Statement	Liabilities at fair value through the Consolidated Income Statement and held for trading	Total	Level 1	Level 2	Level 3
Borrowings and other financial liabilities									
• Non-current bond issues	Note 8.1.1	7,705.5	7,705.5	-	-	9,715.1	9,582.5	132.6	-
• Other non-current borrowings	Note 8.1.1	638.5	638.5	-	-	673.1	-	673.1	-
• Current borrowings	Note 8.1.1	4,759.7	4,759.7	-	-	4,759.7	-	4,759.7	-
• Bank overdrafts and other cash position items	Note 8.1.3	246.8	246.8	-	-	246.8	-	246.8	-
Trade payables	Note 5.3	4,327.7	4,327.7	-	-	4,327.7	-	4,327.7	-
Current and non current concession liabilities	Note 5.5	1,519.0	1,519.0	-	-	1,519.0	-	1,519.0	-
Non-current and current derivative instruments	Note 8.3	240.4	-	240.4	-	240.4	-	191.5	48.9
Other operating payables	Note 5.3	3,990.4	3,990.4	-	-	3,990.4	-	3,990.4	-
TOTAL		23,428.0	23,187.6	240.4	-	25,472.2	9,582.5	15,840.8	48.9

8.2.4 Offsetting of financial assets and financial liabilities

As of December 31, 2016, 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 €121.6 million and in liabilities in the amount of €240.4 million in the Consolidated Statement of Financial Position as of December 31, 2016.

8.3 Market risks and financial instruments

Derivative instruments

The Group uses various derivative instruments to manage its exposure to interest rate and foreign exchange risks resulting from its operating, financial and investment activities. Certain transactions performed in accordance with the Group interest rate and foreign exchange risk management policy do not satisfy hedge accounting criteria and are recorded as trading instruments.

Derivative instruments are recognized at fair value in the Consolidated Statement of Financial Position. Other than the exceptions detailed below, changes in the fair value of derivative instruments are recorded through profit or loss. The fair value of derivatives is estimated using standard valuation models which take into account active market data.

Net gains and losses on instruments at fair value through profit or loss consist of swapped flows and changes in the value of the instrument.

Derivative instruments may be designated as hedges under one of three types of hedging relationship: fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation:

- a fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability, or an identified portion of such an asset or liability, that is attributable to a specific risk (primarily interest rate or foreign exchange risk), and could affect profit or loss for the period;
- a cash flow hedge is a hedge of exposure to variability in cash flows that is attributable to a specific risk associated with a recognized asset or liability or a highly probable forecast transaction (such as a planned purchase or sale) and could affect profit or loss for the period;
- a hedge of a net investment in a foreign operation hedges the exposure to foreign exchange risk of the net assets of a foreign operation including loans considered part of the investment (IAS 21, The Effects of Changes in Foreign Exchange Rates).

An asset, liability, firm commitment, future cash-flow or net investment in a foreign operation qualifies for hedge accounting if:

- the hedging relationship is precisely defined and documented at the inception date;
- the effectiveness of the hedge is demonstrated at inception and by regular verification of the offsetting nature of movements in the market value of the hedging instrument and the hedged item. The ineffective portion of the hedge is systematically recognized in the Consolidated Income Statement.

The use of hedge accounting has the following consequences:

- in the case of fair value hedges of existing assets and liabilities, the hedged portion of these items is measured at fair value in the Consolidated Statement of Financial Position. The gain or loss on remeasurement is recognized in the Consolidated Income Statement, where it is offset against matching gains or losses arising on the fair value remeasurement of the hedging financial instrument, to the extent it is effective;
- in the case of cash flow hedges, the portion of the gain or loss on the fair value remeasurement of the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income, while the gain or loss on the fair value remeasurement of the underlying item is not recognized in the Consolidated Statement of Financial Position. The ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss. Gains or losses recognized in other comprehensive income are reclassified to profit or loss in the same period or periods in which the asset acquired or liability issued affects profit or loss;
- in the case of net investment hedges, the effective portion of the gain or loss on the hedging instrument is recognized in translation reserves in other comprehensive income, while the ineffective portion is recognized in the Consolidated Income Statement. Gains and losses recognized in foreign exchange translation reserves are reclassified to profit or loss when the foreign investment is sold.

Embedded derivatives

An embedded derivative is a component of a host contract that satisfies the definition of a derivative instrument and whose economic characteristics are not closely related to that of the host contract. An embedded derivative must be separated from its host contract and accounted for as a derivative if, and only if, the following three conditions are satisfied:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- the embedded derivative satisfies the definition of a derivative laid down in IAS 39;
- the hybrid instrument is not measured at fair value with changes in fair value recognized in the Consolidated Income Statement.

Commodity purchases/sales

These purchase / sales contracts are generally recognized outside the scope of IAS 39 (“own use” exemption), except for certain specific transactions in coal and electricity. For these specific transactions, cash flow hedge accounting is systematically preferred.

Options and forward purchase and sale contracts with physical delivery are excluded from the application scope of IAS 39 if entered into for own use (“exception for own-use”).

This exception is applicable when the following conditions are satisfied:

- the volumes purchased or sold under the contracts reflect the operating requirements of the subsidiary;
- the contracts are not subject to net settlement as defined by IAS 39 and, in particular, physical delivery is systematic;
- the contracts are not equivalent to sales of options, as defined by IAS 39.

Certain subsidiaries enter into electricity transactions (forward contracts, options) which are recognized as derivative instruments in accordance with IAS 39.

Instruments falling within the application scope of IAS 39 are derivative instruments and are measured at fair value, calculated using models mostly based on data. Fair value movements are recorded in operating income. The net impact of the unwinding of these transactions is recorded in revenue.

The Group is exposed to the following financial risks in the course of its operating and financial activities:

- market risks presented:
  - interest-rate risk (interest-rate fair value hedges, cash flow hedges and derivatives not qualifying for hedge accounting),
  - foreign exchange risk (hedges of a net investment in a foreign operation, hedges of balance sheet foreign exchange exposure by derivatives not qualifying for hedge accounting, embedded derivatives, overall foreign exchange risk exposure),
  - commodity risk (fuel and electricity risks, greenhouse gas emission rights);
- liquidity risk;
- credit risk.

Equity risk is presented in Notes 8.1.3.2. and 9.2.2.2.

8.3.1 Market risk management

The Group uses derivatives to manage and reduce its exposure to fluctuations in interest rates, exchange rates and commodity prices.

The fair value of derivatives in the Consolidated Statement of Financial Position breaks down as follows:

		As of December 31, 2015 re-presented		As of December 31, 2016	
(€ million)	Notes	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	8.3.1.1	**51.0**	**8.2**	**13.2**	**31.9**
Fair value hedges		12.2	-	9.6	9.3
Cash flow hedges		34.8	0.5	-	14.1
Derivatives not qualifying for hedge accounting		4.0	7.7	3.6	8.5
Foreign currency derivatives	8.3.1.2	**70.9**	**123.8**	**86.6**	**148.0**
Net investment hedges		5.1	21.1	18.6	12.7
Fair value hedges		9.4	26.6	17.4	27.7
Cash flow hedges		2.2	2.6	1.5	1.5
Derivatives not qualifying for hedge accounting		54.2	73.5	49.1	106.1
Commodity derivatives	8.3.1.3	**9.8**	**70.3**	**21.8**	**60.5**
TOTAL DERIVATIVES		131.7	202.3	121.6	240.4
o/w non-current derivatives		**58.9**	**114.7**	**43.2**	**122.4**
o/w current derivatives		**72.8**	**87.6**	**78.4**	**118.0**

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, 2016		Level 2 *(in %)*		Level 3 *(in %)*	
(€ million)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	13.2	31.9	100.0%	100.0%	-	-
Foreign currency derivatives	86.6	148.0	100.0%	100.0%	-	-
Commodity derivatives	21.8	60.5	100.0%	19.2%	-	80.8%
TOTAL DERIVATIVES	121.6	240.4	100.0%	79.6%	0.0%	20.4%

Derivatives valued using internal models integrating certain non-observable data are primarily electricity derivatives (see Note 8.3.1.3) for which there are no quoted prices in an active market (mainly electricity purchase options with extremely long maturity) or observable market data (forward prices for component materials), in particular for distant maturities. In such cases, data is estimated by Veolia experts.

	December 31, 2015 re-presented		Level 2 *(in %)*		Level 3 *(in %)*	
(€ million)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	51.0	8.2	100.0%	100.0%	-	-
Foreign currency derivatives	70.9	123.8	100.0%	100.0%	-	-
Commodity derivatives	9.8	70.3	18.4%	25.0%	81.6%	75.0%
TOTAL DERIVATIVES	131.7	202.3	94.0%	73.9%	6.0%	26.1%

8.3.1.1 Management of interest rate risk

The financing structure of the Group exposes it naturally to the risk of interest rate fluctuations. As such, the cash and cash equivalents position covers floating-rate debt which impacts future financial results according to fluctuations in interest rates.

Short-term debt is primarily indexed to short-term indexes (Eonia for the treasury Note program and Euribor/Libor for the main short-term credit lines). Medium and long-term debt comprises both fixed and floating-rate debt.

The Group manages a fixed/floating rate position in each currency in order to limit the impact of interest rate fluctuations on its net income and to optimize the cost of debt. For this purpose, it uses interest rate swap and swaption instruments.

These swaps may be classified as fair value hedges or cash flow hedges.

The following table shows the interest-rate exposure of gross debt (defined as the sum of non-current borrowings, current borrowings and bank overdrafts and other cash position items) before and after hedging.

	As of December 31, 2015 re-presented		As of December 31, 2016	
(€ million)	**Outstandings**	**% total debt**	**Outstandings**	**% total debt**
Fixed rate	7,579.5	61.4%	9,082.5	68.1%
Floating rate	4,766.4	38.6%	4,263.0	31.9%
Gross debt before hedging	12,345.9	100.0%	13,345.5	100.0%
Fixed rate	7,754.6	62.8%	8,260.5	61.9%
Floating rate	4,586.4	37.2%	5,090.0	38.1%
Gross debt after hedging and fair value remeasurement of fixed-rate debt	12,341.0	100.0%	13,350.5	100.0%
Fair value adjustments to (assets)/liability hedging derivatives	**4.9**		**(5.0)**	
GROSS DEBT AT AMORTIZED COST	12,345.9		13,345.5	

Total gross debt as of December 31, 2016, after hedging, is 61.9% fixed-rate and 38.1% floating-rate.

As of December 31, 2016, the Group has cash and cash equivalents of €5,521.4 million, the majority of which bears interest at floating rates.

The Group manages its exposure to interest rate fluctuations based on floating-rate gross debt net of cash.

The Group's net floating rate position after hedging (liability position) is €358.4 million, maturing €1,789.6 million in less than one year, -€108.4 million in 1 to 5 years and -€1,322.8 million after 5 years.

Interest rate fair value hedges

The risk of volatility in the value of debt is hedged by fixed-rate receiver/floating-rate payer swaps which change bond issues to floating-rate debt (see Note 8.1.1.1).

Fair value hedging swaps represent a notional outstanding amount of €1,366.8 million as of December 31, 2016, compared with €204.4 million as of December 31, 2015, with a net fair value in the Consolidated Statement of Financial Position of €0.3 million as of December 31, 2016, compared with €12.2 million as of December 31, 2015, as follows:

Fixed-rate receiver / floating-rate payer swaps	Notional contract amount by maturity				Fair value of derivatives	
(€ million)	**Total**	**< 1 year**	**from 1 to 5 years**	**> 5 years**	**Total assets**	**Total liabilities**
As of December 31, 2016	1,366.8	-	116.8	1,250.0	9.6	9.3
As of December 31, 2015 re-presented	204.4	68.1	136.2	-	12.2	-

The change in the nominal value of the fair value hedging portfolio is mainly due to:

- the set-up of new transactions in the amount of €1,250 million hedging euro EMTN issues maturing in 2027 and 2028;
- the expiry at maturity of swaps hedging the pound sterling EMTN issue maturing in 2037 and the impact of exchange rate fluctuations on the nominal amount of swaps denominated in pound sterling of -€87.6 million.

The change in the fair value of floating-rate payer swaps is mainly due to the decrease in the value of swaps set-up in 2016 and the depreciation of the pound sterling against the euro.

Interest rate cash flow hedges

Floating-rate receiver / fixed-rate payer swaps / purchases of caps (*€ 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, 2016	560.9	-	-	560.9	-	14.1
As of December 31, 2015 re-presented	1,359.2	5.4	350.0	1,003.8	34.8	0.5

The decrease in the nominal value of the cash flow hedging portfolio is mainly due to:

- the early unwinding of swaps hedging a future issue in the amount of €500 million;
- the reclassification of fixed-rate payer swaps hedging debt with an interest rate floor as they no longer qualify for hedge accounting, in the amount of €350 million.

An amount of -€9.9 million, net of tax, was recorded directly in equity attributable to owners of the Company in respect of cash flow hedge interest-rate derivatives as of December 31, 2016.

Contractual flows on interest rate swaps are paid at the same time as contractual flows on floating-rate borrowings and the amount recorded in other comprehensive income is released to net income in the period in which interest flows on the debt impact the Consolidated Income Statement.

The change in the fair value of fixed-rate payer swaps is mainly due to the change in the portfolio (early unwinding and reclassification) in the amount of -€17.2 million and a decrease in the value of swaps remaining in the portfolio of -€31.1 million.

Interest-rate derivatives not qualifying for hedge accounting

A certain number of derivatives do not qualify as hedges under IAS 39. The Group does not, however, consider these transactions to be of a speculative nature and views them as necessary for the effective management of its exposure to interest rate risk.

	Notional amount as of December 31, 2016				Fair value of derivatives	
(in millions euros)	Total	< 1 year	from 1 to 5 years	> 5 years	Total assets	Total liabilities
Total firm financial instruments	2,358.6	-	2,304.4	54.2	3.6	8.5
Total optional financial instruments	-	-	-	-	-	-
TOTAL INTEREST-RATE DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	2,358.6	-	2,304.4	54.2	3.6	8.5

The decrease in the portfolio of interest rate derivatives not qualifying for hedge accounting between 2015 and 2016 is mainly due to:

- the expiry at maturity of short-term financial instruments hedging cash investments totaling approximately €3,028 million;
- the set-up of new transactions hedging cash investments in the amount of €1,838 million.
- the set-up of new economic hedging transactions, not classified as hedges for accounting purposes, in the amount of €450 million.

Recap: the breakdown as of **December 31, 2015** is as follows:

	Notional amount as of December 31, 2015				Fair value of derivatives	
(€ million)	Total	< 1 year	from 1 to 5 years	> 5 years	Total assets	Total liabilities
Total firm financial instruments	3,098.0	3,036.5	-	61.5	4.0	7.7
Total optional financial instruments	-	-	-	-	-	-
TOTAL INTEREST-RATE DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	3,098.0	3,036.5	-	61.5	4.0	7.7

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.

Translation risk

Due to its international presence, the translation of the income statements of the Group's foreign subsidiaries is sensitive to exchange rate fluctuations.

The following table summarizes the sensitivity of certain Group Consolidated Income Statement aggregates to a 10% increase or decrease in foreign exchange rates against the euro, with regard to the translation of financial statements of foreign subsidiaries.

	Contribution to the consolidated financial statements									Sensitivity to a change of :	
(€ million)	Euro	Pound Sterling	US dollar	Polish zloty	Czech crown	Australian dollar	Chinese renminbi yuan	Other currencies	Total	10%	-10%
Revenue	12,113.0	2,180.0	2,264.5	903.9	1,002.3	967.9	591.3	4,367.3	24,390.2	1,311.3	(1,072.3)
Operating income	182.3	186.4	136.9	94.9	151.6	45.8	143.0	228.7	1,169.6	107.3	(87.8)

Foreign exchange risk with regard to the net finance cost

With many operations worldwide, Veolia organizes financing in local currencies.

The foreign currency debt borne by the parent company, Veolia Environnement SA, is generally hedged using either derivative instruments or assets in the same currency.

The net finance cost of the Group, i.e. a euro-equivalent of -€423.6 million in 2016, is primarily denominated in EUR (53%), GBP (13%), USD (9%), CNY (4%) PLN (4%) and ARS (3%).

A 10% increase in the main currencies to which the Group is exposed (GBP, USD, PLN, ARS and CNY) against the euro would result in a €16.2 million increase in the net finance cost, while a 10% decrease in these currencies would result in a €13.2 million decrease in the net finance cost.

Foreign exchange and translation risk in the Consolidated Statement of Financial Position

Due to its international presence, the Group's Consolidated Statement of Financial Position is exposed to exchange rate fluctuations. A fluctuation in the euro impacts the translation of subsidiary foreign currency denominated assets in the Consolidated Statement of Financial Position.

For its most significant assets, the Group has issued debt in the relevant currencies. The main net assets of the Group are located in the United States, the United Kingdom, China, Poland and the Czech Republic.

A 10% increase in the currencies of the above countries would increase net assets by €462 million, while a 10% decrease in these currencies would reduce net assets by €378 million.

Hedge of a net investment in a foreign operation

Financial instruments designated as net investment hedges break down as follows:

	Notional amounts as of December 31, 2016 by maturity date				Fair value of derivatives	
Financial instrument *(€ million)*	Amount	Less than 1 year	from 1 to 5 years	More than 5 years	Total assets	Total liabilities
Currency payer swap	602.0	549.4	-	52.6	10.9	5.4
Options	409.6	409.6	-	-	3.1	1.5
Embedded derivatives (forward sale)	26.3	19.7	6.6	-	-	2.1
Cross-currency swaps	244.7	93.9	90.8	60.0	4.6	3.7
Total foreign currency derivatives	**1,282.6**	**1,072.6**	**97.4**	**112.6**	**18.6**	**12.7**
USD borrowings	379.5	-	-	379.5	N/A	N/A
CNY borrowings	8.3	-	8.3	-	N/A	N/A
Total financing	**387.8**	**-**	**8.3**	**379.5**	**N/A**	**N/A**
TOTAL	**1,670.4**	**1,072.6**	**105.7**	**492.1**	**18.6**	**12.7**

The above currency swaps are short-term but are generally renewed at maturity, until financing of an appropriate term is secured in the currency of the related country.

The change in the fair value compared with December 31, 2015 is mainly due to the impact of the change in the fair value of the euro/Chinese renminbi cross currency swap of +€10.4 million and changes in the fair value of Japanese yen and Chinese renminbi payer swaps of +€11 million.

Inter-company loans and receivables forming part of a foreign investment (IAS 21) are nearly systematically hedged by foreign currency external financing or foreign currency derivatives (cross currency swaps, currency forwards) meeting IAS 39 criteria for hedge accounting. Foreign exchange gains and losses recorded in foreign exchange translation reserves in respect of hedging instruments are systematically offset by foreign exchange gains and losses recognized in foreign exchange translation reserves on loans forming part of the net investment, unless:

- the inter-company loan forming part of the net investment in a foreign operation is not hedged;
- the hedge is partially ineffective due to a difference between the nominal amount of the hedge and the amount of the hedged net asset;
- only the net assets of the foreign subsidiary (excluding the loan forming part of the net investment) are hedged.

Net foreign exchange gains recorded in Group foreign exchange translation reserves as of December 31, 2016 of -€83.7 million mainly comprise the impact of investment hedges in:

- US dollar (+€19.2 million);
- Hong Kong dollar (-€16.0 million);
- Australian dollar (-€21.5 million);
- Chinese renminbi (-€59.8 million).

Recap: the breakdown as of **December 31, 2015** is as follows:

	Notional amounts As of December 31, 2015 re-presented by maturity date				Fair value of derivatives	
Financial instrument *(€ million)*	**Amount**	**Less than 1 year**	**from 1 to 5 years**	**More than 5 years**	**Total assets**	**Total liabilities**
Currency payer swap	886.2	833.6	-	52.6	2.4	7.0
Options	406.4	406.4	-	-	2.7	2.6
Embedded derivatives (forward sale)	45.4	19.1	26.3	-	-	2.8
Cross currency swaps	244.5	93.7	90.8	60.0	-	8.7
Total foreign currency derivatives	**1,582.5**	**1,352.8**	**117.1**	**112.6**	**5.1**	**21.1**
USD borrowings	367.4	-	-	367.4	N/A	N/A
Total financing	**367.4**	**-**	**-**	**367.4**	**N/A**	**N/A**
TOTAL	**1,949.9**	**1,352.8**	**117.1**	**480.0**	**5.1**	**21.1**

Foreign currency fair value hedges

Financial instruments designated as fair value hedges break down as follows:

	Notional amounts as of December 31, 2016 by maturity date				Fair value of derivatives	
Financial instrument *(€ million)*	**Amount**	**Less than 1 year**	**from 1 to 5 years**	**More than 5 years**	**Total assets**	**Total liabilities**
Forward purchases	183.8	166.9	16.9	-	12.0	0.8
Forward sales	518.7	476.6	42.1	-	5.4	26.9
FOREIGN CURRENCY DERIVATIVES : FAIR VALUE HEDGE	**-**	**-**	**-**	**-**	**17.4**	**27.7**

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.

	Notional amounts As of December 31, 2015 re-presented by maturity date				Fair value of derivatives	
Financial instrument *(€ million)*	**Amount**	**Less than 1 year**	**from 1 to 5 years**	**More than 5 years**	**Total assets**	**Total liabilities**
Forward purchases	143.5	133.7	9.8	-	7.7	5.0
Forward sales	450.7	377.5	73.2	-	1.7	21.6
FOREIGN CURRENCY DERIVATIVES : FAIR VALUE HEDGE	**-**	**-**	**-**	**-**	**9.4**	**26.6**

Foreign currency cash flow hedges

Financial instruments designated as cash flow hedges break down as follows:

Financial instrument (€ million)	Notional amounts as of December 31, 2016 by maturity date				Fair value of derivatives	
	Amount	Less than 1 year	from 1 to 5 years	More than 5 years	Total assets	Total liabilities
Forward purchases	46.1	39.6	6.5	-	0.6	0.4
Forward sales	67.9	63.5	4.4	-	0.9	1.0
FOREIGN CURRENCY DERIVATIVES : CASH FLOW HEDGE	-	-	-	-	1.5	1.4

The cash flow hedges presented above mainly consist of forward purchases/sales of foreign currencies different from the functional currencies of the entities concerned, in connection with their own activities and particularly hedges entered into in respect of Private Finance Initiatives (PFI) in the United Kingdom and currency hedges in respect of commodity purchases and sales in Central Europe.

Financial instrument (€ million)	Notional amounts As of December 31, 2015 re-presented 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	41.1	37.9	3.2	-	0.6	0.3
Forward sales	138.9	101.5	37.4	-	1.6	2.3
FOREIGN CURRENCY DERIVATIVES : CASH FLOW HEDGE	-	-	-	-	2.2	2.6

Hedges of currency exposure in the Consolidated Statement of Financial Position by derivatives not qualifying for hedge accounting

Financial instrument (€ million)	Notional amounts as of December 31, 2016 by maturity date				Fair value of derivatives	
	Amount	Less than 1 year	from 1 to 5 years	More than 5 years	Total assets	Total liabilities
Currency receiver swaps and forward purchases	1,903.7	1,900.0	3.7	-	27.9	5.3
Currency paper swaps and forward purchases	5,415.1	5,409.6	5.5	-	21.2	82.3
Currency options	-	-	-	-	-	-
Embedded derivatives	68.5	21.3	47.2	-	-	18.6
FOREIGN CURRENCY DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	-	-	-	-	49.1	106.2

The above portfolio of foreign currency derivatives was mainly contracted by Veolia Environnement to hedge its foreign currency-denominated net financial debt (comprising foreign currency-denominated borrowings and foreign currency-denominated inter-company loans and borrowings).

Financial instrument (€ million)	Notional amounts As of December 31, 2015 re-presented 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	1,693.5	1,689.8	3.7	-	8.1	13.9
Currency paper swaps and forward purchases	5,333.9	5,330.7	3.2	-	46.1	33.7
Currency options	-	-	-	-	-	-
Embedded derivatives	87.4	19.0	68.4	-	-	25.9
FOREIGN CURRENCY DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	-	-	-	-	54.2	73.5

8.3.1.3 Management of commodity risk

As part of its collection activities, the Group can use firm fuel purchase contracts (classified as "for own use") and derivatives.

The Group has also entered into long-term gas, coal, electricity and biomass purchase contracts in order to secure its supplies. The majority of these commitments are reciprocal; the third parties concerned are obliged to deliver the quantities negotiated in these contracts and the Group is obliged to take them.

As part of electricity sales activities on the wholesale market, the Group may be required to contract forward electricity sales contacts aimed at securing future production (with maturities not exceeding 3 years).

Fuel or electricity prices can be subject to significant fluctuations. The long-term contracts entered into by Veolia generally include price review and/or indexation clauses which enable it to pass on the majority of any increases in commodity or fuel prices to the price of services sold to customers, even if this may be performed with a time delay.

Nonetheless, as part of supply management and cost optimization measures or to hedge future production, certain Group subsidiaries may be required, depending on their activities, to contract forward purchases or sales of commodities and set-up derivatives to fix the cost of commodities supply or the selling price of commodities produced (electricity).

As of December 31, 2016, the fair value of commodity derivatives is recorded €21.8 million in assets and €60.5 million in liabilities. The +€21.8 million increase in fair value on December 31, 2015 is mainly due to the increase in gas and coal instruments, due to increases in forward prices of these commodities.

	As of December 31, 2015 re-presented		As of December 31, 2016	
(€ million)	Assets	Liabilities	Assets	Liabilities
Commodity derivatives	**9.8**	**70.3**	**21.8**	**60.5**
Electricity	9.6	55.7	11.7	59.0
Petroleum products *	-	1.3	-	-
CO_2	-	-	-	-
Coal *	0.2	7.1	8.9	1.3
Gas *	-	6.2	1.2	0.2
Other	-	-	-	-

* *Transactions concerning gas and coal due to increase in forward prices of these commodities in 2016.*

These derivatives break down by hedge type as follows:

	As of December 31, 2015 re-presented		As of December 31, 2016	
(€ million)	Assets	Liabilities	Assets	Liabilities
Commodity derivatives	**9.8**	**70.3**	**21.8**	**60.5**
Fair value hedges	-	-	-	-
Cash flow hedges	0.2	14.1	8.9	0.8
Derivatives not qualifying for hedge accounting	9.6	56.2	12.9	59.7

Electricity risk

	Contract notional amounts As of December 31, 2016 by maturity date			
(€ million)	Total amount	Less than 1 year	from 1 to 5 years	More than 5 years
Electricity purchase instrument :				
• in Gwh	6,682	1,153	2,761	2,768
• in € million	203	36	86	81
Electricity sales instrument :				
• in Gwh	1,521	1,022	499	-
• in € million	44	30	14	-

Electricity purchase instruments have a market value of –€13 million (based on valuation assumptions at the year-end) and sales instruments maturing in 2017 and a market value of -€35.0 million for the rest of the timeframe. 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 +€4.1 million and -€3.3 million, respectively.

	Contract notional amounts As of December 31, 2015 re-presented by maturity date			
(€ million)	**Total amount**	**Less than 1 year**	**from 1 to 5 years**	**More than 5 years**
Electricity purchase instrument :				
• in Gwh	7,516	1,097	3,651	2,768
• in € million	229	35	111	83
Electricity sales instrument :				
• in Gwh	1,828	1,150	678	-
• in € million	60	39	21	-

Greenhouse gases

As explained in Chapter 1, Section 1.6 of the Registration Document, the increase in greenhouse gases in the atmosphere led certain States and the international community to introduce regulatory measures to limit this trend.

Under European regulations, the actual emissions position is determined each year and the corresponding rights surrendered. The Group then purchases or sells emission rights, depending on whether actual emissions are greater or lesser than emission rights allocated.

In the absence of specific IFRS provisions, the Group has adopted the “net liability approach,” which involves the recognition of a liability at the period end if actual emissions exceed allowances held, in accordance with IAS 37.

Allowances are managed as a production cost and, in this respect, are recognized in inventories at:

- nil value, when they are received free of charge;
- acquisition cost, if purchased for valuable consideration on the market.

Consumption of this inventory is recognized on a weighted-average unit cost basis.

Transactions in these allowances performed on the forward market are generally recognized outside the application scope of IAS 39 (“own use” exemption), except for certain specific transactions related to the hedging of electricity production activities.

The position in **2016** is as follows:

Volumes *(in thousands of metric tons)*	**As of January 1, 2016**	Changes in scope of consolidation	Granted	Purchased/ Sold/ Cancelled	**Used**	**As of December 31, 2016**
TOTAL	**1,852**	-	4,084	3,128	**(8,371)**	693

Free allocations still to be received in respect of phase III of the Emissions Trading Scheme covering the period 2016 to 2020 are estimated at €52.3 million for the Group, based on a valuation at the spot price as of December 31, 2016.

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, 2016, **undiscounted contractual flows on net financial debt** (nominal value) break down by maturity date as follows:

	As of December 31, 2016		Maturity of undiscounted contractual flows					
(€ million)	Carrying amount	Total undiscounted contractual flows	2017	2018	2019	2020	2021	Beyond 5 years
Bond issues [1]	8,997.2	9,072.9	1,291.7	479.9	607.0	440.6	1,348.5	4,905.2
Other borrowings	4,353.3	4,142.1	3,714.7	123.8	86.7	54.2	40.2	122.5
Gross borrowings excluding the impact of amortized cost and hedging derivatives	**13,350.5**	**13,215.0**	**5,006.4**	**603.7**	**693.7**	**494.8**	**1,388.7**	**5,027.7**
Impact of derivatives hedging debt	(5.0)	-	-	-	-	-	-	-
Gross borrowings	**13,345.5**	-	-	-	-	-	-	-
Cash and cash equivalents	(5,521.4)	-	-	-	-	-	-	-
Liquid assets and financing financial assets	(13.0)	-	-	-	-	-	-	-
Net financial debt	**7,811.1**	-	-	-	-	-	-	-

(1) *Excluding the impact of amortized cost and derivatives hedging debt.*

8.3.2.2 Net liquid asset positions

Net liquid assets of the Group as of December 31, 2016 break down as follows:

(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016
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	49.3	8.2
Cash and cash equivalents	3,297.6	4,648.4
Subsdiaries :	-	-
Cash and cash equivalents	878.7	873.0
TOTAL LIQUID ASSETS	8,150.6	9,454.6
Current debt and bank overdrafts and other cash position items	-	-
Current debt	4,000.1	4,759.7
Bank overdrafts and other cash position items	318.6	246.8
TOTAL CURRENT DEBTS AND BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS	4,318.7	5,006.5
TOTAL LIQUID ASSETS NET OF CURRENT DEBTS AND BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS	3,831.9	4,448.1

As of December 31, 2016, Veolia had total liquid assets of €9.5 billion, including cash and cash equivalents of €5.5 billion.

As of December 31, 2016, cash equivalents were mainly held by Veolia Environnement in the amount of €4,553.2 million. They comprise monetary UCITS of €3,813.4 million and term deposit accounts of €736.6 million.

Improved credit outlook

In 2016, S&P and Moody's confirmed Veolia's A2 / BBB credit rating with a stable outlook and P-2 / Baa1 credit rating also with a stable outlook, respectively.

Refinancing of the multi-currency liquidity lines

On November 6, 2015, Veolia signed a new multi-currency syndicated loan facility for an amount of €3 billion. The initial maturity of 2020 was extended to 2021 in October 2016, with the possibility of a further extension to 2022. It may be drawn in eastern European currencies and Chinese renminbi.

This syndicated loan facility replaces the two syndicated loan facilities set-up in 2011: a 5-year €2.5 billion multi-currency loan facility and a 3-year €500 million loan facility available for drawdown in Polish zloty, Czech crown and Hungarian forint.

Renewal of bilateral credit lines

Veolia Environnement renegotiated all bilateral credit lines in 2015. Undrawn amounts total €925 million as of December 31, 2016.

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, 2016	Maturing in				
(€ million)	**Total**	**2017**	**2018**	**2019**	**2020**	**2021**
Undrawn syndicated loan facility	3,000.0	-	-	-	-	3,000.0
Credit lines	925.0	-	200.0	325.0	400.0	-
Letters of credit facility	8.2	-	8.2	-	-	-
TOTAL	**3,933.2**	**-**	**208.2**	**325.0**	**400.0**	**3,000.0**

8.3.2.3 Information on early debt repayment clauses

Veolia Environnement debt

The legal documentation for bank financing and bond issues contracted by the Company does not contain any financial covenants, i.e. obligations to comply with a debt coverage ratio or a minimum credit rating which, in the event of non-compliance, could lead to the early repayment of the relevant financing.

Subsidiary debt

Certain project financing or financing granted by multilateral development banks to the Group's subsidiaries contain financial covenants (as defined above).

Based on diligences performed within the subsidiaries, the Company considers that the covenants included in the documentation of material financing were satisfied (or had been waived by lenders) as of December 31, 2016.

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, 2016			Breakdown by customer type			
(€ million)	Note	Gross carrying amount	Impairment losses	Net carrying amount	Public customers - Delegating authority	Private customers - Individuals	Public customers - Other	Private customers-Companies
Non-current and current operating financial assets	5.4	1,782.5	(86.8)	1,695.7	1,288.9	-	52.7	354.1
Trade receivables	5.3	7,313.4	(785.2)	6,528.2	848.9	1,458.2	1,535.9	2,685.2
Other current operating receivables	5.3	531.3	(83.2)	448.1	38.8	30.2	26.5	352.6
Non-current financial assets in loans and receivables	8.1.2	443.4	(82.5)	360.9	29.2	9.2	7.3	315.2
Current financial assets in loans and receivables	8.1.2	321.6	(44.1)	277.5	46.9	9.0	6.6	215.0
LOANS AND RECEIVABLES		10,392.2	(1,081.8)	9,310.4	2,252.7	1,506.6	1,629.0	3,922.1
Other financial assets	**8.1.2**	**48.2**	**(16.3)**	**31.9**	**8.4**	**5.2**	**3.5**	**14.9**
TOTAL AS OF DECEMBER 31,2016		10,440.4	(1,098.1)	9,342.3	2,261.1	1,511.8	1,632.5	3,937.0
TOTAL AS OF DECEMBER 31,2015		10,946.4	(1,050.1)	9,896.3	2,711.9	1,475.6	1,432.7	4,276.1

Assets past due and not impaired break down as follows:

				Assets past due but not impaired		
(€ million)	Note	Net carrying amount	Amount not yet due	0-6 months	6 months – 1 year	More than 1 year
Non-current and current operating financial assets	5.4	1,695.7	1,688.1	3.9	3.7	-
Trade receivables	5.3	6,528.2	4,553.8	1,525.1	217.2	232.1
Other current operating receivables	5.3	448.1	357.2	27.6	17.9	45.4
Non-current financial assets in loans and receivables	8.1.2	360.9	360.9	-	-	-
Current financial assets in loans and receivables	8.1.2	277.5	232.6	12.8	4.9	27.2
LOANS AND RECEIVABLES as of December 31, 2016	-	9,310.4	7,192.6	1,569.4	243.7	304.7
Other non-current and current financial assets	**8.1.2**	**31.9**	**31.9**	**-**	**-**	**-**
TOTAL AS OF DECEMBER 31,2016	-	9,342.3	7,224.5	1,569.4	243.7	304.7
TOTAL AS OF DECEMBER 31,2015	-	9,896.3	7,953.9	1,355.2	228.8	358.4

Assets past due over six months are mainly concentrated in Italy, France, Gabon and Morocco.

In Italy, net trade receivables past due over 6 months for all Group subsidiaries total €114.9 million as of December 31, 2016, compared with €112.4 million as of December 31, 2015. Furthermore, in this country, trade receivables consist of private customers, local authorities and state bodies for which the recovery period is long.

In France, net trade receivables past due over 6 months total €80.6 million at the end of 2016 (€96.5 million at the end of 2015), representing 1.2% of customer outstanding (including €31.8 million past due over one year).

8.3.3.2 Counterparty risk relating to investment and hedging activities

The Group is exposed to credit risk relating to the investment of its surplus cash and its use of derivative instruments in order to manage interest rate and foreign exchange risk. Credit risk corresponds to the loss that the Group may incur should a counterparty default on its contractual obligations. In the case of derivative financial instruments, this risk corresponds to the fair value of all the instruments contracted with a counterparty insofar as this value is positive.

The Group minimizes counterparty risk through internal control procedures limiting the choice of banking counterparties to leading banks and financial institutions (banks and financial institutions with a minimum Moody's, Standard & Poor's or Fitch's rating of A3/P3/F3 respectively for transactions with a term of less than one year and of A2/A/A respectively for transactions with a term of more than one year, unless justified). Limits are determined for each counterparty based primarily on the rating awarded by the rating agencies, the size of their equity and commitments given to the Group and are reviewed regularly. In addition, new derivative transactions must only be entered into with counterparties with whom the Group has an ISDA or FBF framework agreement.

Counterparty risk on financial transactions is monitored on an ongoing basis by the middle-office within the Group Finance Department. The Group is not exposed to any risk as a result of material concentration.

Veolia Environnement cash surpluses (€4.6 billion as of December 31, 2016) are managed with a profitability objective close to that of the money market, avoiding exposure to capital risk and maintaining a low level of volatility.

They were injected into the following types of investment:

- non-dynamic monetary UCITS (with the AMF classification of short-term monetary or monetary) for €3,813.4 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 €736.6 million.

8.4 Financial income and expenses

8.4.1 Cost of net financial debt

Net finance costs consist of interest payable on borrowings calculated using the amortized cost method and losses on interest rate derivatives, both qualifying and not qualifying as hedges.

Interest costs included in payments under lease finance contracts are recorded using the effective interest rate method.

Finance income consists of gains on interest rate derivatives, both qualifying and not qualifying as hedges and income from cash investments and equivalents.

Interest income is recognized in profit or loss when earned, using the effective interest rate 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 €43.8 million, while finance expenses total -€467.4 million in 2016.

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 2016.

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 -€11.2 million, interests on operational assets of -€90.3 million, and fair value adjustments to hedging derivatives of +€3.7 million in 2016.

(€ million)	Year ended December 31, 2015 re-presented	Year ended December 31, 2016
Expenses on gross debt	(397.2)	(361.6)
Assets at fair value through the Consolidated Income Statement (fair value option) *	21.2	17.6
Net gains and losses on derivative instruments, hedging relationships and other	(69.9)	(79.6)
COST OF NET FINANCIAL DEBT	(445.9)	(423.6)

* *Cash equivalents are valued at fair value through the Consolidated Income Statement.*

Net gains and losses on derivative instruments, hedging relationships and other mainly include the following amounts for fiscal year 2016:

- net interest income on hedging relationships (fair value hedges and cash flow hedges) of €4.3 million;
- net losses on derivatives not qualifying for hedge accounting of -€81.7 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 2016 or 2015.

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.

(€ million)	Year ended December 31, 2015 re-presented	Year ended December 31, 2016
Net gains and losses on loans and receivables	25.5	8.9
Capital gains and losses on disposals of financial assets, net of disposal costs	59.5	34.6
Net gains and losses on available-for-sale assets (1)	4.1	9.0
Assets and liabilities at fair value through the Consolidated Income Statement	-	(0.1)
Unwinding of the discount on provisions	(39.0)	(41.7)
Foreign exchange gains and losses	6.4	5.4
Interest on operating asset	(94.1)	(90.3)
Other	(28.6)	(20.4)
OTHER FINANCIAL INCOME AND EXPENSES	(66.2)	(94.6)

(1) Including dividends received for €3.6 million as of December 31, 2015 against €8.1 million as of December 31, 2016.

In 2016, other financial income and expenses include the impact of disposals of financial assets and notably the divestiture of Transdev in the amount of +€21,8 million and Bartin in the amount of -€13 million and the buyout of minority interests in M2O in the amount of +€28.0 million.

In 2015, these impacts mainly reflected the divestiture of the Group's activities in Israel in the amount of +€45.4 million, of an investment in Singapore in the amount of +€16.4 million and of Changle in China in the amount of +€13.3 million.

Net gains and losses on loans and receivables include income from joint venture loans, including loans to Transdev Group of €2.4 million in 2016 and €12.0 million in 2015.

8.5 Financing commitments

8.5.1 Commitments given

Debt guarantees: these relate to guarantees given to financial institutions in connection with the borrowings of non-consolidated companies and equity-accounted entities, when the commitment covers the entire amount.

Letters of credit: letters of credit delivered by financial institutions to Group creditors, customers and suppliers guaranteeing operating activities.

Off-balance sheet commitments given break down as follows:

			Maturing in		
(€ million)	As of December 31, 2015	As of December 31, 2016	Less than 1 year	1 to 5 years	More than 5 years
Letters of credit	225.1	222.0	213.7	3.4	4.9
Debt guarantees	33.3	25.3	2.1	2.2	21.0
Other financing commitments given	59.8	51.3	22.2	23.2	5.9
TOTAL FINANCING COMMITMENTS GIVEN	318.2	298.6	238.0	28.8	31.8

Commitments on lease contracts entered into by the Group are analyzed in Note 7.3.

Commitments given in respect of joint ventures (at 100%) total €10.8 million as of December 31, 2016 and 2015.

8.5.2 Commitments received

Commitments received total €131.8 million as of December 31, 2016 and €168.4 million as of December 31, 2015.

8.5.3 Collateral guaranteeing borrowings

As of December 31, 2016, the Group has given €184.0 million of collateral guarantees in support of borrowings including €113.0 million in support of borrowings of its joint ventures.

The breakdown by type of asset is as follows (€ million):

Type of pledge /mortgage (*€ million*)	Amount pledged (a)	Total Consolidated Statement of Financial Position (b)	Corresponding % (a)/(b)
Intangible assets	-	1,013	0.0%
Tangible assets	16	7,177	0.2%
Financial assets *	143	-	0.0%
TOTAL NON-CURRENT ASSETS	159	-	
Current assets	25	15,486	0.2%
TOTAL ASSETS	184	-	

* *As a majority of financial assets pledged as collateral are shares of consolidated subsidiaries and other financial assets, the ratio is not significant.*

The breakdown by maturity is as follows:

(*€ million*)	As of December 31, 2015	As of December 31, 2016	Maturing in: Less than 1 year	1 to 5 years	More than 5 years
Intangible assets	-	-			
Property, plant and equipment	24	16	8		8
Mortgage pledge	8	8	8		
Other PP&E pledge (1)	16	8	-		8
Financial assets (2)	144	143	16	94	33
Current assets	28	25	24	1	
Pledges on receivables	27	24	23	1	
Pledges on inventories	1	1	1		
TOTAL	196	184	48	95	41

(1) *Mainly equipment and traveling systems.*

(2) *Including non-consolidated investments of €125.1 million and other financial assets (primarily operating financial assets) of €17.9 million as of December 31, 2016.*

NOTE 9 EQUITY AND EARNINGS PER SHARE

9.1 Share capital management procedures

Veolia Environnement manages its share capital within the framework of a prudent and rigorous financial policy that seeks to ensure easy access to French and international capital markets, to enable investments in projects that create value and provide shareholders with a satisfactory remuneration, while maintaining an "Investment Grade" credit rating.

With effect from September 30, 2014 and for a period of 12 months renewable by tacit agreement, Veolia Environnement entrusted Rothschild & Cie Banque with the implementation of a liquidity contract. To this end, an amount of thirty million euros (€30,000,000) was allocated to the operation of this liquidity account.

This liquidity contract forms part of the share buyback program authorized by the Veolia Environnement General Shareholders' Meeting of April 24, 2014.

9.2 Equity attributable to owners of the Company

9.2.1 Share capital

The share capital is fully paid-up.

9.2.1.1 Share capital increases

There were no capital increase in 2016.

9.2.1.2 Share capital increase reserved for Group employees

In accordance with the delegation of powers granted by the Combined General Meeting of April 24, 2014 in the twenty-second resolution, the Board of Directors approved, during the meeting held on February 25, 2015 the principle and the 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 December 17, 2015, the performance of this share capital increase for a total amount of €17.6 million.

Under this share capital increase, a total of 1,063,022 shares were created in respect of employee subscriptions and the Group contribution, including 258,748 shares in respect of the Group contribution; the par value increase in share capital was €5,315,110, with an increase in additional paid-in capital of €12,288,534.32. Transactions costs were deducted from issue premiums for a net of tax amount of €1,343,413.57.

New shares rank for dividends from January 1, 2015; they are equivalent to existing shares and will confer entitlement to dividends distributed in 2016 in respect of fiscal year 2015.

9.2.1.3 Number of shares outstanding and par value

The number of shares outstanding was 563,364,823 as of December 31, 2015 and 2016. The par value of each share is €5.

9.2.1.4 Authorized but unissued shares

The Veolia Environnement Combined General Meeting generally grants two types of share issuance authorizations to the Board of Directors: (i) authorizations for the issuance of new shares, which are collectively limited to 70% of the number of shares outstanding on the date of the General Shareholders' Meeting; and (ii) authorizations for the preferential issuance of warrants, which is limited to 25% of the number of shares outstanding on the date of the issue decision and which may only be used in the context of an outstanding tender offer on the Company's shares. The first category of authorizations yields an exact number of authorized but unissued shares, whereas the number of shares authorized but unissued under the second category of authorizations will depend on the number of shares already outstanding on the date of the decision. Both types of authorizations, with the same limitations on issuance, i.e. 70% and 25%, were approved at the Combined General Meetings in 2009 and 2010.

Fiscal years 2015 and 2016

For 2015, authorized but unissued shares under the first category amounted to 393,611,261 shares on the basis of 562,301,801 shares outstanding on April 22, 2015, the date of the General Shareholders' Meeting voting the authorizations.

As of December 31, 2015, 1,063,022 shares had been issued from among the 393,611,261 above-mentioned authorized shares.

For 2016, authorized but unissued shares under the first category amounted to 169,009,446 shares on the basis of 563,364,823 shares outstanding on April 21, 2016, the date of the General Shareholders' Meeting voting the authorizations.

As of December 31, 2016, no shares were issued.

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 2016 and 2015 were as follows:

	2015	2016
Number of shares purchased during the year	18,266,190	9,271,117
Number of shares sold during the year	18,266,190	7,911,117

As of December 31, 2016, Veolia Environnement hold 1,360 million shares under the liquidity contract. A €30 million drawdown authorization was granted for the operation of this liquidity contract.

13,797,975 and 15,064,835 treasury shares were held respectively as of December 31, 2015 and 2016.

9.2.2.2 Equity risk

As of December 31, 2016, Veolia Environnement holds 15,064,835 of its own shares, of which 8,389,059 are allocated to external growth operations, 5,315,776 were acquired for allocation to employees under employee savings plans, and 1,360,000 were related to the liquidity contract, with a market value of €237.4 million, based on a share price of €15.76 and a net carrying amount of €458.0 million deducted from equity.

9.2.3 Appropriation of net income and dividend distribution

The Combined General Meeting of April 21, 2016 set the cash dividend for 2015 at €0.73 per share. This dividend was paid from May 4, 2016 in the total amount of €401 million.

A dividend of €384 million was distributed by Veolia Environnement in 2015 and deducted from “Additional paid-in capital” and “Reserves”.

9.2.4 Foreign exchange gains and losses

Accumulated foreign exchange translation reserves total €327.1 million as of December 31, 2015 (attributable to owners of the Company).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi (+€86.3 million), the US dollar (+€61.2 million) and the Hong Kong dollar (-€133.8 million).

Accumulated foreign exchange translation reserves total €243.4 million as of December 31, 2016 (attributable to owners of the Company).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi (-€59.8 million), the US Dollar (+€19.2 million), the Hong Kong dollar (-€16.0 million) and the Australian dollar (-€21.5 million).

Movements in foreign exchange translation reserves (attributable to owners of the company and to non-controlling interests)

(€ million)	Total	o/w Attributable to owners of the company
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	740.1	620.3
Translation differences on net foreign investments	(294.4)	(293.2)
As of December 31, 2015	**445.7**	**327.1**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	(72.5)	(48.6)
Translation differences on net foreign investments	(33.9)	(35.1)
Movements in 2016	**(106.4)**	**(83.7)**
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	667.6	571.7
Translation differences on net foreign investments	(328.3)	(328.3)
As of December 31, 2016	**339.3**	**243.4**

Breakdown by currency of foreign exchange translation reserves attributable to owners of the company

(€ million)	As of December 31, 2015 re-presented	Change	As of December 31, 2016
Chinese renminbi	490.4	(59.8)	430.6
Czech crown	30.7	-	30.7
Australian dollar	55.4	(21.5)	33.9
US dollar	219.4	19.2	238.6
Pound sterling	(157.4)	(8.5)	(165.9)
Hong Kong dollar	(263.9)	(16.0)	(279.9)
Polish zloty	(14.6)	(13.0)	(27.6)
Other currencies	(32.9)	15.9	(17.0)
TOTAL	327.1	(83.7)	243.4

9.2.5 Fair value reserves

Fair value reserves attributable to owners of the Company total -€42.5 million as of December 31, 2016 and -€15.7 million as of December 31, 2015, and break down as follows:

(€ million)	Available for-sale securities	Commodity derivatives hedging cash flows	Foreign currency derivatives hedging cash flows	Interests rate derivatives hedging cash flows	Total	o/w attributable to owners of the Company
As of December 31, 2015	**11.8**	**(14.5)**	**(4.1)**	**(9.9)**	**(16.7)**	**(15.7)**
Fair value adjustments	(0.3)	18.4	3.0	(43.2)	(22.1)	(24.8)
Other movements	(2.3)	0.4	-	-	(1.9)	(2.0)
AS OF DECEMBER 31, 2016	9.2	4.3	(1.1)	(53.1)	(40.7)	(42.5)

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, 2016, non-controlling interests mainly concern:

- **in Europe excluding France** : Poland (€192.1 million), the Czech Republic (€85.5 million) and Germany (€108.3 million);
- in the **Rest of the World** operating segment: China (€396.3 million).

The change in non-controlling interests in 2016 is mainly due to net income for the year (€103.0 million), changes in consolidation scope (+€22.7 million), dividend distributions (-€120.5 million), foreign exchange translation gains and losses (-€22.7 million), capital increase (+€14.5 million).

9.3.2 Net income (loss) attributable to non-controlling interests

Net income attributable to non-controlling interests is €103.0 million for the year ended December 31, 2016, compared with €100.5 million for the year ended December 31, 2015 re-presented.

Net income (loss) attributable to non-controlling interests breaks down by operating segment as follows:

(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016
France	2.5	3.4
Europe excluding France (b)	52.9	51.7
Rest of the World (a)	51.6	47.2
Global businesses	(7.1)	0.7
Other	0.6	-
NON-CONTROLLING INTERESTS	100.5	103.0

(a) Including net income attributable to non-controlling interests in Latin America (€11.7 million);

(b) Including net income attributable to non-controlling interests in Central Europe (€40.6 million).

9.4 Deeply-subordinated securities and OCEANE convertible bonds

9.4.1 Deeply-subordinated securities

In January 2013, Veolia Environnement issued deeply subordinated perpetual securities in euros and pound sterling redeemable from April 2018. The issue comprised a euro tranche of €1 billion at 4.5% yield and a pound sterling tranche of £400 million at 4.875% yield.

This instrument is recognized in equity, pursuant to IAS 32.11 and given its intrinsic terms and conditions (no mandatory repayment, no obligation to pay a coupon, except in the event of a dividend distribution to shareholders or the buyback of own shares).

The cost of the coupon payable to holders of deeply subordinated securities is -€68.8 million in 2016 compared with -€71.5 million in 2015.

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, 2016.

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, 2015 re-presented	As of December 31, 2016
Weighted average number of ordinary shares *(in millions of shares)*	**548.5**	**549.0**
Weighted average number of ordinary shares for the calculation of basic earnings per share	548.5	549.0
Theoretical number of additional shares resulting from the exercise of share purchase and subscription options	-	19.5
Weighted average number of ordinary shares for the calculation of diluted earnings per share *(in millions of shares)*	**548.5**	**568.5**
Net income (loss) attributable to owners of the Company per share *(in € million)*		
Net income (loss) attributable to owners of the Company	366,2*	314,3*
Net income (loss) attributable to owners of the Company per share:		
Basic	0.67	0.57
Diluted	0.67	0.55
Net income (loss) from discontinued operations attributable to owners of the Company per share *(in € million)*		
Net income (loss) from discontinued operations attributable to owners of the Company	-	-
Net income (loss) from discontinued operations attributable to owners of the Company per share:		
Basic	-	-
Diluted	-	-
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	366.2	314.3
Net income (loss) from continuing operations attributable to owners of the Company per share:		
Basic	0.67	0.57
Diluted	0.67	0.55

* *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 (-€68.8 million in 2016 and -€71.5 million in 2015).*

The only potentially dilutive instruments recognized by Veolia Environnement are the share subscription and purchase options presented in Note 6.2.2.

NOTE 10 PROVISIONS

Pursuant to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, a provision is recorded when, at the year end, the Group has a current legal or implicit obligation to a third party as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions cover all losses that are considered probable, and that relate to litigation (taxation, employee or other) arising in the normal course of Veolia's business operations.

As part of its obligations under public services contracts, Veolia generally has contractual obligations for the maintenance and repair of the installations it manages. The resulting maintenance and repair costs are analyzed in accordance with IAS 37 on provisions and, where necessary, a provision for contractual commitments is recorded where there are delays in work to be performed.

In the event of a restructuring, an obligation exists if, prior to the period end, the restructuring has been announced and a detailed plan produced or implementation has commenced. Future operating costs are not provided.

In the case of provisions for rehabilitation of landfill facilities, Veolia accounts for the obligation to restore a site as waste is deposited, recording a non-current asset component and taking into account inflation and the date on which expenses will be incurred (discounting). The asset is amortized based on its depletion.

Provisions for closure and post-closure costs encompass the legal and contractual obligations of the Group on the completion of operating activities at a site (primarily site rehabilitation provisions) and, more generally, expenditure associated with environmental protection as defined in the ethics charter of each entity (provision for environmental risks).

Provisions giving rise to an outflow after more than one year are discounted if the impact is material. Discount rates reflect current assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recorded in the Consolidated Income Statement in "Other financial income and expenses".

Movements in non-current and current provisions during **2016** are as follows:

(€ million)	**As of December 31, 2015 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, 2016
Tax litigation	143.7	24.4	(29.5)	(11.9)	-	-	3.4	1.1	-	1.7	132.9
Employee litigation	23.0	7.9	(4.4)	(4.0)	-	-	0.1	(0.1)	-	-	22.5
Other litigation	193.8	43.3	(24.2)	(17.4)	-	0.1	0.2	(0.5)	-	(0.6)	194.7
Contractual commitments	182.2	190.7	(189.5)	(5.6)	-	0.6	2.9	0.1	-	2.5	183.9
Provisions for work-in-progress and losses to completion on long-term contracts	140.3	26.5	(31.1)	(9.5)	-	4.6	0.8	(0.9)	-	(1.3)	129.4
Closure and post-closure costs	656.6	18.9	(42.4)	(19.6)	-	41.0	7.3	(27.0)	-	2.1	636.9
Restructuring provisions	25.9	93.3	(16.5)	(11.5)	-	-	-	0.5	-	(0.2)	91.5
Self-insurance provisions	163.2	67.5	(25.2)	(6.3)	-	1.1	-	0.8	-	-	201.1
Other provisions	214.8	62.2	(27.2)	(42.9)	-	-	1.9	(3.3)	-	(8.6)	196.9
Provisions excluding pensions and other employee benefits	**1,743.5**	**534.7**	**(390.0)**	**(128.7)**	**-**	**47.4**	**16.6**	**(29.3)**	**-**	**(4.4)**	**1,789.8**
Provisions for pensions and employee benefits	**803.7**	**70.2**	**(72.1)**	**(7.3)**	**86.8**	**18.6**	**6.0**	**(14.0)**	**-**	**1.4**	**893.3**
TOTAL PROVISIONS	2,547.2	604.9	(462.1)	(136.0)	86.8	66.0	22.6	(43.3)	-	(2.9)	2,683.1
NON-CURRENT PROVISIONS	2,068.1	367.4	(261.6)	(58.7)	86.8	65.2	19.9	(36.8)	(139.7)	13.1	2,123.7
CURRENT PROVISIONS	479.1	237.5	(200.5)	(77.3)	-	0.8	2.7	(6.5)	139.7	(16.1)	559.4

Provisions for litigation total €350.1 million overall as of December 31, 2016, compared with €360.5 million as of December 31, 2015.

The France, Europe excluding France, Rest of the World and Global Businesses operating segments account for €83.4 million, €95.6 million, €62.0 million and €66.3 million of these provisions, respectively, as of December 31, 2016.

Additional information on the main litigation is presented in Note 12.

As of December 31, 2016, **provisions for contractual commitments** primarily concern the Rest of the World operating segment in the amount of €101.6 million, including €100.4 million in Gabon.

Provisions for work-in-progress and losses to completion on long-term contracts total €129.4 million as of December 31, 2016 and mainly concern the France operating segment in the amount of €21.3 million, the Europe excluding France operating segment in the amount of €29.8 million, the Rest of the World operating segment in the amount of €41.3 million and the Global Businesses operating segment in the amount of €37.0 million.

Provisions for closure and post-closure costs total €636.9 million as of December 31, 2016 compared with €656.6 million as of December 31, 2015 and mainly concern the following operating segments:

- France in the amount of €227.3 million in 2016, compared with €230.6 million in 2015;
- Europe excluding France, in the amount of €208.7 million in 2016, compared with €236.4 million in 2015.

The change in these provisions in 2016 is mainly due to the unwinding of the discount in the amount of €41.0 million, net reversals of provisions in the amount of -€43.1 million and foreign exchange translation gains and losses in the amount of -€27.0 million.

By nature of obligation, these provisions concern:

- provisions for site rehabilitation in the amount of €552.7 million at the end of 2016 compared with €570.5 million at the end of 2015;
- provisions for environmental risks in the amount of €58.5 million at the end of 2016 compared with €59.6 million at the end of 2015;
- provisions for plant dismantling in the amount of €25.7 million at the end of 2016, compared with €26.5 million at the end of 2015.

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 €33.4 million as of December 31, 2016, compared with €38.2 million as of December 31, 2015;
- Europe excluding France, in the amount of €62.4 million as of December 31, 2016, compared with €61.1 million as of December 31, 2015;
- the Rest of the World in the amount of €39.3 million as of December 31, 2016, compared with €44.1 million as of December 31, 2015.

Provisions for pensions and other employee benefits as of December 31, 2016 total €893.3 million, and include provisions for pensions and other post-employment benefits of €796.5 million (governed by IAS 19 and detailed in Note 6) and provisions for other long-term benefits of €96.8 million.

NOTE 11 INCOME TAX EXPENSE

11.1 Income taxes

The income tax expense (income) includes the current tax expense (income) and the deferred tax expense (income).

11.1.1 Analysis of the income tax expense

The income tax expense breaks down as follows:

(€ million)	Year ended December 31, 2015	Year ended December 31, 2016
Current income tax (expense) income	**(227.0)**	**(193.5)**
France	(33.5)	(11.5)
Other countries	(193.5)	(182.0)
Deferred tax (expense) income	**30.5**	**0.8**
France	0.1	(2.0)
Other countries	30.4	2.8
TOTAL INCOME TAX EXPENSE	(196.5)	(192.7)

The income tax expense presented in the Consolidated Cash Flow Statement reflects the income tax expense of continuing operations presented above and the income tax expense of discontinued operations.

A number of French subsidiaries elected to form a consolidated tax group with Veolia Environnement as the head company. 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

	2015	2016
Net income (loss) from continuing operations (a)	538.2	486.1
Share of net income (loss) of associates (b)	25.6	27.4
Share of net income (loss) of joint ventures (c)	73.1	66.8
Share of net income (loss) of other equity-accounted entities (d)	45.9	27.4
Income tax expense (e)	(196.5)	(192.7)
Net income from continuing operations before tax (f) = (a)-(b)-(c)-(d)-(e)	590.1	557.2
Effective tax rate -(e)/(f)	**33.28%**	**34.58%**
Theoretical tax rate(1)	**34.43%**	**34.43%**
Net impairment losses on goodwill not deductible for tax purposes	1.16%	(0.10%;)
Differences in tax rate	(9.11%)	(12.24%)
Capital gains and losses on disposals	(2.02%)	(3.87%)
Dividends	4.60%	3.08%
Taxation without basis	0.81%	4.30%
Effect of tax projections(2)	16.56%	15.62%
Other permanent differences	(13.15%)	(6.64%)
EFFECTIVE TAX RATE	33.28%	34.58%

(1) The tax rate indicated is the statutory tax rate in France applicable in fiscal years 2015 and 2016.

(2) Effect of tax projections include primarily impairment losses on deferred tax assets as well as tax grouping surplus.

The main elements explaining the effective tax rate in 2016 are as follows:

- the non-capitalization of Veolia tax group losses;
- the impact of the tax rate decrease in some countries.

It is recalled that the main elements explaining the effective tax rate in 2015 were as follows:

- the consolidation for 12 months of Dalkia International activities in Central Europe where the tax rate is lower than the Group tax rate ;
- the non-capitalization of Veolia tax group losses combined with the reduced capitalization of US tax group losses.

11.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities are generally recognized on timing differences and/or tax loss carry forwards.

Deferred tax assets arising from timing differences are only recognized when it is probable that:

- there are sufficient taxable timing differences within the same tax group or tax entity that are expected to reverse in the same periods as the expected reversal of such deductible timing differences or in the periods when the deferred tax assets arising from tax losses can be carried back or forward;
- or the Group is likely to generate sufficient future taxable profits against which the asset can be offset.

At each period end, the Group reviews the recoverable amount of deferred tax assets arising from material tax losses carried-forward.

Deferred tax assets arising from these tax losses are no longer recognized or are reduced when required by the specific facts and circumstances of each company or tax group concerned, and particularly when:

- the forecast period and uncertainties regarding the economic environment no longer enable the probability of utilization to be assessed;
- the companies have not started utilizing the losses;
- the forecast utilization period exceeds the carry forward period authorized by tax legislation;
- offset against future taxable profits is uncertain due to the risk of different interpretations of the application of tax legislation.

Deferred tax assets and liabilities are adjusted for the effects of changes in prevailing tax laws and rates at the year end. Deferred tax balances are not discounted.

Movements in deferred tax assets and liabilities during **2016** are as follows:

(€ million)	**December 31, 2015 re-presented**	Changes in business through net income	Changes in business through equity	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets / Liabilities classified as held for sale	Other	December 31, 2016
Deferred tax, gross	2,610.9	(136.5)	(19.7)	11.3	9.0	0.1	12.6	2,487.7
Deferred tax assets not recognized	(1,364.6)	65.6	33.5	7.2	(8.0)	-	(10.3)	(1,276.6)
DEFERRED TAX ASSETS, NET	1,246.3	(70.9)	13.8	18.5	1.0	0.1	2.3	1,211.1
DEFERRED TAX LIABILITIES	1,117.1	(71.7)	(2.6)	42.1	(17.1)	7.8	4.2	1,079.8

As of December 31, 2016, deferred tax assets not recognized totaled -€1,276.6 million, including -€948.8 million on tax losses and -€327.8 million on timing differences. As of December 31, 2015, such deferred tax assets totaled -€1,364.6 million, including -€981.8 million on tax losses and -€382.8 million on timing differences.

In France, based on taxable projected income, the Veolia tax group restricted the recognition of deferred tax assets to the amount of deferred tax liabilities, as at the previous year end.

Deferred tax assets and liabilities **break down by nature** as follows:

(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016
DEFERRED TAX ASSETS		
Tax losses	1,331.1	1,296.8
Provisions and impairment losses	371.1	363.0
Employee benefits	245.1	247.9
Financial instruments	122.1	82.3
Operating financial assets	56.6	53.8
Fair value of assets purchased	9.8	12.0
Foreign exchange gains and losses	(3.0)	-
Finance leases	102.6	97.8
Intangible assets and Property, plant and equipment	18.4	17.3
Other	357.1	316.8
DEFERRED TAX ASSETS, GROSS	2,610.9	2,487.7
DEFERRED TAX ASSETS NOT RECOGNIZED	(1,364.6)	(1,276.6)
RECOGNIZED DEFERRED TAX ASSETS	1,246.3	1,211.1

(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016
DEFERRED TAX LIABILITIES		
Intangible assets and Property plant and equipment	505.9	519.2
Fair value of assets purchased	151.2	162.5
Operating financial assets	94.9	94.2
Financial instruments	67.1	24.5
Finance leases	80.3	63.0
Provisions	40.8	48.1
Foreign exchange gains and losses	13.4	3.1
Employee benefits	46.1	39.4
Other	117.4	125.8
DEFERRED TAX LIABILITIES	1,117.1	1,079.8

The breakdown **by main tax group** as of December 31, 2016 is as follows:

(€ million)	Recognized deferred tax assets on tax losses	Recognized deferred tax assets on timing differences	Deferred tax liabilities on timing differences	Net recognized deferred tax position
France Veolia tax group	**-**	**133.7**	**(130.7)**	**3.0**
United States tax group	**228.1**	**186.8**	**(255.7)**	**159.2**
United Kingdom tax group	**-**	**56.4**	**(116.2)**	**(59.8)**
TOTAL FOR THE MAIN TAX GROUPS	228.1	376.9	(502.6)	102.4

As of December 31, 2016, 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		
(€ 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	-	-	-	-	3.0	3.0	-	3.0	3.0
United States tax group	228.1	-	228.1	87.0	(155.9)	(68.9)	315.1	(155.9)	159.2

The **expiry schedule** for deferred tax assets on tax losses recognized and not recognized as of December 31, 2016 is as follows:

	Maturity			
(€ million)	5 years or less	More than 5 years	Unlimited	Total
Recognized tax losses	**35.6**	**246.4**	**66.0**	**348.0**
Tax losses not recognized	**(77.9)**	**(52.7)**	**(818.2)**	**(948.8)**

Deferred tax assets and liabilities **break down by destination** as follows:

(€ million)	As of December 31, 2015 re-presented	As of December 31, 2016
DEFERRED TAX ASSETS, NET		
Deferred tax assets through net income	1,165.7	1,118.9
Deferred tax assets through equity	80.6	92.2
DEFERRED TAX ASSETS, NET	**1,246.3**	**1,211.1**
DEFERRED TAX LIABILITIES		
Deferred tax liabilities through net income	1,087.9	1,053.6
Deferred tax liabilities through equity	29.2	26.2
DEFERRED TAX LIABILITIES	**1,117.1**	**1,079.8**

11.3 Tax audits

In the normal course of their business, the Group entities in France and abroad are subject to regular tax audits. Revised assessments and identified uncertain tax positions in respect of which a revised assessment has not yet been issued are adequately provided, and provision amounts are regularly reviewed in accordance with IAS 37 criteria.

The tax authorities have carried out various tax audits in respect of both consolidated tax groups and individual entities. To date, none of these reviews have led to liabilities to the tax authorities materially in excess of amounts estimated during the review of tax risks.

In estimating the risk as of December 31, 2016, the Group took account of the expenses that could arise as a consequence of these audits, based on a technical analysis of the positions defended by the Group before the tax authorities. The Group periodically reviews the risk estimate in view of developments in the audits and legal proceedings.

On March 10, 2010, Veolia through its subsidiary VNA (formerly VENAO) received notices of proposed adjustments (“NOPAs”) from the US Internal Revenue Service (IRS) relating to a number of tax positions concerning its US subsidiaries, including primarily tax losses resulting from the reorganization of the former U.S. Filter (Worthless Stock Deduction), in the amount of USD 4.5 billion (tax base). They also relate to certain other issues relating to tax losses for the 2004, 2005 and 2006 tax years, in an aggregate amount of a similar order of magnitude as the Worthless Stock Deduction. The NOPAs are preliminary assessments that do not reflect a definitive audit position and are subject to change. These NOPA’s were received following the request by the Group for a pre-filing agreement from the IRS in order to validate the amount of tax losses as of December 31, 2006.

Since 2010, the Group continues to discuss these NOPAs with the IRS with a view to resolving or narrowing the issues and the issuance of a formal assessment notice for any unresolved issues, which could be appealed within the IRS or in court. As of December 31, 2016, the remaining NOPAs, before any penalties, relate to the Worthless Stock Deduction for USD 4.5 billion (tax base). As the NOPAs are still subject to the continuing IRS audit process, there is no requirement at this time for any payment of taxes. Based on information available to the Company at the year-end, Veolia has not recorded any provision in its consolidated financial statements in respect of the NOPAs and has recorded a deferred tax asset in respect of a portion of these tax losses.

In the context of this audit, the IRS issued several summonses in reply to which VNA (formerly VENAO) submitted a number of documents. On January 5, 2013, considering the response to the summonses inadequate, the US Department of Justice brought an action against VNA (formerly VENAO) before the US District Court of the State of Delaware for enforcement of the summonses. These proceedings are now finished and VNA forwarded the required documents to the IRS at the end of August 2015. The IRS is currently reviewing these documents and no formal notice has been received to date.

Furthermore, the audit launched in 2011 in respect of fiscal years 2007 and 2008 for all of the Group’s US entities is still ongoing. No revised assessments have been notified to date. A new audit covering fiscal years 2009 to 2011 was launched by the IRS at the end of 2013. This audit is still ongoing and no revised assessments have been notified to date.

NOTE 12 CONTINGENT ASSETS AND LIABILITIES

In accordance with IAS 37 criteria, management does not consider it appropriate to record a provision or, as the case may be, an additional provision, or to recognize deferred income with respect to the following legal, administrative or arbitration proceedings as of December 31, 2016, due to the uncertain nature of their outcome.

The main contingent assets and liabilities relating to legal, administrative or arbitration proceedings are presented below:

North America

United States – Water – Flint

In April 2014, in an attempt to save money, the emergency manager ("Emergency Manager") in charge of the City of Flint, Michigan, ordered that it switch its water supply source (previously provided from Detroit) and begin treating Flint River water for distribution to its residents.

Soon after, Flint residents began to complain about its odor, taste and appearance. Between August 2014 and December 2014, Flint experienced a number of water quality issues resulting in violations of National Primary Drinking Water Regulations including Total Trihalomethanes (TTHM, which are disinfection byproducts) maximum contaminant level violations.

In February 2015, Flint hired a US subsidiary of the Company, Veolia Water North America Operating Services, LLC ("VWNAOS") for an analysis related to residual effects of chlorine process (TTHM), discoloration and taste and odor issues. The scope of work of this one-time (invoiced $40.000), approximately four-week analysis did not include lead and copper tests.

On February 18, 2015, VWNAOS issued an interim report, which included a statement that the drinking water was "safe" in that it complied "with state and federal standards and required testing". During the public meeting, which was organized by the Flint City Council Public Works Committee in relation to VWNAOS's interim report, VWNAOS employees communicated to the public the results of said report. The City had previously informed VWNAOS that the City, and not VWNAOS, would be conducting lead testing.

On March 12, 2015, VWNAOS delivered its final report to Flint, then made available to the public. In its report, VWNAOS issued a broad set of recommendations to address TTHM compliance and improve water quality related to odor and discoloration. It would appear that many of these recommendations were ignored by the local authorities.

On June 24, 2015, the US Environmental Protection Agency issued a memorandum summarizing the available information regarding activities conducted by the City of Flint and several governmental agencies in response to high lead levels in City drinking water reported by a Flint resident.

On October 21, 2015, the office of the Governor of the State of Michigan commissioned the Flint Water Advisory Task Force, a consulting group made up of experts in a variety of disciplines, to conduct an independent review of the Flint water crisis, including lead contamination of residents.

On March 21, 2016, Flint Water Advisory Task Force issued its final report, drafted after interviewing numerous individuals and reviewing many documents. The Task force report came to the conclusion that the responsibility for the Flint water crisis rested largely with several governmental agencies and the City of Flint. Notably, the report highlighted that the Michigan Department of Environmental Quality and the City of Flint did not require and implement corrosion control at the time of change of water supply source, contrary to what is required under the federal Lead & Copper Rule to avoid contamination of drinking water. A total of thirteen current or former state and local employees have been charged with criminal conduct in their mishandling of the lead issues.

Since February 2016, numerous individual complaints and class actions have been filed before Michigan 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. Flint residents allege injury and damages by exposure to toxins, including lead, contained within Flint River water and have levied accusations of professional negligence and fraud.

The Company has been named in half a dozen class actions and about ten individual actions. In two of the class actions, the Company has entered into tolling agreements with the defendants aiming to dismiss the Company without prejudice to them, thus suspending the statute of limitations. In most of the remaining class actions, time for serving the Company has expired.

On June 22, 2016, the State of Michigan's Attorney General filed a civil action against several corporations, including VWNAOS and the Company itself, for their alleged role in the Flint water crisis. The Attorney General subsequently dismissed that initial action, and filed a new civil action on August 16, 2016. Among other allegations, the Attorney General refers to the interim report delivered by VWNAOS. The Attorney General alleges that the acts and omissions of these companies constitute professional negligence and fraud.

Subsequent to filing the new action, the Attorney General agreed to dismiss the Company without prejudice. On September 12, 2016, stipulations of dismissal were filed with the court to that effect. Thus, the Company is no longer a party to either of the Attorney General actions; however, the Attorney General action against the Company's subsidiaries is ongoing.

The Group strongly contests the merits of all these legal proceedings.

These lawsuits have been reported to the insurers, who have reserved their rights with respect to the guarantee from which the Company and its US subsidiaries benefit.

United States – Water – HPD vs. TETRA Technologies

In November 2007, HPD, an indirect subsidiary of the Company, entered into an engineering and equipment supply contract (the "Contract") with TETRA Technologies ("TETRA") for a new calcium chloride manufacturing plant located near El Dorado, Arkansas in the United States. The Contract contains clauses providing for delay and performance liquidated damages, a waiver of consequential damages, a limitation of liability capped at the amount of the Contract and an arbitration clause providing for mandatory arbitration of any disputes according to the rules of the American Arbitration Association. The amount of the Contract was fully paid by TETRA.

On March 23, 2011, TETRA filed an action against HPD in the local court of the state of Arkansas (the "Circuit Court of Union County") claiming that the plant's production does not comply with the expected quantities and concentration levels. TETRA is asserting claims against HPD for:

- principally, professional negligence and design errors and omissions, as well as fraud; to this end, TETRA alleges that the Contract is null and void, on the grounds that HPD was not licensed as an engineering company in the state of Arkansas;
- alternatively, contractual breaches.

In April 2011, HPD asked the Circuit Court of Union County to apply the arbitration clause provided for by the Contract and to transfer the dispute to arbitration; in parallel, it contested being subject to the licensing requirement. On November 1, 2012, the Supreme Court of Arkansas granted HPD's request, which had been rejected by the Circuit Court of Union County in November 2011.

The parties appointed the members of the arbitral tribunal. In a decision dated October 2, 2014, the tribunal confirmed its jurisdiction of the dispute and the Contract's exclusion of consequential damages. On January 29, 2015, TETRA asserted its claim for damages and interest at $86 million, of which $26.6 million is for past remedial action, $36 million for future remedial action and $24 million for lost profits. Since that time, the amount of Tetra's damage claim has changed and, in October 2015, it stood at $93 million.

TETRA suggested that the parties mediate their disputes which took place on March 8-9, 2016 in San Francisco, California without resolution.

The arbitration proceeding ran its course. Hearings were held on March 21 and April 15, 2016. By a ruling on December 16, 2016, the arbitral tribunal sentenced HPD to pay Tetra $12.8 million (including legal fees) and partially admitted HPD's counterclaim, sentencing Tetra to pay it $750,000.

This dispute was subject to claims under the insurance policy taken out by HPD. The insurance company is covering almost all of the amount due by Tetra.

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 ANB is cooperating with the NAD. To date, 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.

Lithuania - Energy

Between 2000 and 2003, the Group signed a number of contracts with Lithuanian cities, of which the most significant was with the city of Vilnius in 2002 to rent, operate and modernize the heating and electricity production and distribution infrastructure. The Group made significant investments over the years for which it is awaiting a cost evaluation and a return on its investment.

The government publicly, and on numerous occasions, accused the Group of being responsible for high heating prices by waging a sustained campaign against it.

Several steps were thus taken by the authorities and public entities against the Lithuanian subsidiaries of the Group, UAB Vilnius Energija ("UVE") and UAB Litesko ("Litesko").

Actions to pass on consumer heating costs to UVE:

- With Vilnius's approval, UVE installed individual heat exchange sub-stations. In September 2011, the law governing the heating sector was amended to transfer the ownership of these sub-stations to apartment owners, without compensating the investors. Although the courts and the national commission for energy and price control (the "National Commission") recognized UVE's right to compensation, they nevertheless ruled that they lacked jurisdiction to enforce the exercise of such right. To date, UVE has still not received any compensation.
- In 2008 and 2009, UVE respectively proposed to Vilnius and the National Commission to invest in a smoke condenser. Both entities refused to approve this investment. Pursuant to the applicable regulations, UVE therefore invested on a private basis. However, in October 2014, the National Commission unilaterally reduced UVE's heating prices to capture the savings realized with the help of this condenser despite no legal basis. On October 13, 2015, the administrative court rejected UVE's complaint against this decision. On October 27, 2015, UVE lodged an appeal before the supreme administrative court, which dismissed it on November 2, 2016. In March 2016, the National Commission approved a reduction in UVE's heating prices, established by Vilnius in September 2015, following a new calculation of the economic effects of smoke condensers. On October 23, 2015, UVE lodged an appeal before the administrative court against Vilnius' decision. On April 11, 2016, UVE also lodged an appeal before such court against the National Commission's decision. The court combined the two appeals and then dismissed them on October 17, 2016. UVE has lodged an appeal before the supreme administrative court. A date for the hearing has yet to be scheduled.
- On December 11, 2015, the regional administrative court of Vilnius cancelled the heating prices that the National Commission had established for UVE for a period of five years (2011-2015), by calling on the National Commission to retroactively reduce prices. UVE appealed on December 28, 2015 before the supreme administrative court; a hearing was scheduled for August 17, 2016. The appeal has suspensive effect. On January 24, 2017, the supreme administrative court upheld the regional administrative court's decision, which went into effect on the same day.

Actions to render the Group's combined heat power plants economically non-viable

Vilnius' contract requires UVE to operate combined heat power plants, producing both heat and electricity, and to produce electricity for sale. The government established an annual electricity purchasing quota for the national public electricity company (Lesto) at a specific price, ensuring sufficient demand for electricity generated by the combined heat power plants.

The government decided to terminate the electricity purchasing quota system as of January 1, 2016. Without these quotas, the most important of the combined heat power plants operated by UVE, VE-3, is no longer economically viable. As a result, UVE notified the municipal heating network company, controlled by Vilnius, Vilnius Silumos Tinklai ("VST"), that VE-3 would cease operating on January 1, 2016 and would be returned.

VST declared its refusal to take back VE-3, requiring UVE to bear the socio-economic costs resulting from the terminated quotas until the end of the agreement in March 2017.

Actions to sanction the Group due to heat price increases

- Competition Council

(i) **UVE**

On January 18, 2011, UVE signed a five-year biofuel supply agreement (the "Agreement") with a company in order to provide heat to the city of Vilnius, for which it manages the network. On February 25, 2013, the competition council of the Republic of Lithuania (the "Competition Council") decided to open an investigation regarding compliance of operators in biofuel production and distribution with Lithuanian competition law.

On December 2, 2015, the Competition Council imposed a €19 million fine on UVE for restricting competition under the Agreement. UVE believes that (i) the supplies involved were open to competition via a call for tenders and in accordance with applicable laws, (ii) the relevant biofuel market used by the Competition Council for its investigation is not justified and (iii) this fine is disproportionate as it is established on all of UVE's heating sales whereas only 15% of these sales are generated from biofuels.

On December 22, 2015, UVE initiated an appeal against this decision before the administrative court of Vilnius, which suspended the payment for the duration of the proceeding. On October 18, 2016, the administrative court reduced the fine to €17.1 million but did not modify the rest of the Competition Council's decision. On November 17, 2016, UVE lodged an appeal before the supreme administrative court. A date for the hearing has yet to be scheduled.

(ii) **Litesko**

On August 2, 2001, a 15-year agreement was concluded between Litesko, the city of Alytus ("Alytus") and its municipal utility, Alytus Silumos Tinklai ("AST") to operate and modernize the heat infrastructure of Alytus. In June 2005, a ten-year extension was agreed upon (until 2026) in return for a commitment on Litesko's part to invest. In December 2007, Alytus requested an additional investment: a new biofuel plant. In exchange, Alytus agreed to allow Litesko to remain the owner of the plant after the agreement's expiration in 2026.

On September 9, 2015, the Competition Council concluded that Alytus had violated competition law by extending the agreement and by accepting that Litesko would remain the owner of the biofuel plant. It called upon Alytus to reconsider the commitments made in 2005 and 2007. On September 29, 2015, Litesko lodged an appeal against the Competition Council's decision before the administrative court of Vilnius, which rejected such appeal on February 29, 2016. Litesko filed an appeal on March 14, 2016 before the supreme administrative court, with suspensive effect.

On October 30, 2015, Alytus accepted the Competition Council's decision by not filing an appeal.

On January 15, 2016, Alytus informed Litesko that the commitments granted in 2005 and 2007 were null and void and that, consequently, the biofuel plant was to be transferred to AST on June 1, 2016. In both of these cases, the issue of compensation must be discussed. This letter describes Alytus' position without representing, at this stage, a legal claim and/or a final decision. In its letters dated May 24 and June 6, 2016, Alytus asked Litesko to provide it with the information necessary to resume activities, without waiting for the ruling of the supreme administrative court on the validity of the Competition Council's decision. On June 23, 2016, Litesko responded by proposing a meeting to discuss (i) Alytus' information request and (ii) the compensation to be paid by Alytus to Litesko pursuant to the agreement's expiration.

On August 17, 2016, Alytus lodged an appeal before the civil court of Kaunas in order to request (i) the transfer of AST's heating facilities and (ii) the appointment of a receiver to monitor Litesko's activities pending a final decision on the transfer. On August 19, 2016, the court appointed a receiver with broad powers. Litesko then filed a request with the court to remove the receiver for lack of objectivity. On September 1, 2016, the court refused to remove the receiver but reduced its powers. Litesko responded, stating that Alytus' claim was ill-founded and asking the court to suspend proceedings until the supreme administrative court rendered a final decision regarding the Competition Council's decision. On September 5, 2016, Litesko also lodged an appeal and, on February 9, 2017, the court of appeal rejected the appointment of the receiver. Furthermore, a hearing before the civil court was scheduled for January 19, 2017. The day before this hearing, Alytus filed amendments to its claim, requesting (i) the transfer by Litesko of heating activity assets, (ii) €8.3 million in indemnities, with respect to calculated heating prices, and (iii) €5.9 million for allegedly abandoned investments in Alytus' heating system. Litesko challenges these amendments. The court accepted to consider point (i) and (iii) of this amended claim and rejected point (ii). Litesko has 30 days to answer.

- National Commission

(i) **UVE**

Following an inspection begun in August 2015 by the National Commission in order to assess the validity of the costs and revenues related to UVE's regulated activities for the 2012-2014 period, the National Commission, on August 18, 2016, provided UVE with a draft report in which it concluded that UVE had received unjustified revenues of approximately €24.8 million over this period. UVE contested the National Commission's conclusion and, on September 7, 2016, presented its arguments against the draft report. On September 22, 2016, the National Commission stated, in its final report, that UVE had received unjustified revenues in the amount of €24.3 million. On October 26, 2016, UVE sought relief before the administrative court.

In addition, on October 14, 2016, on the basis of the results of the final report, the National Commission decided to reduce the new base heating prices for UVE by 23%. On November 14, 2016, UVE lodged an appeal before the administrative court.

- Potential criminal liability of the managers of UVE and Litesko

In February 2012, an investigation was launched by the public prosecutor of Vilnius against the managers of UVE, Litesko and Dalkia Lietuva in connection with a natural gas purchase by UVE and Litesko, between 2003 and 2005, through a gas trading subsidiary, Dalkia Lietuva (liquidated in March 2014).

Although this gas purchase complied with the law, the public prosecutor brought charges of fraud and misuse of corporate assets before the court. Since October 2014, the court has been reviewing the case. It began with a hearing of the witnesses for the prosecution. During this stage, the prosecutor was recused by the court in January 2016 after having pursued legal action against a witness for the prosecution who had provided testimony favorable to the defense. The court is currently hearing the defendants' opening statements.

Vilnius' refusal to pay heating invoices

Before the municipal elections of March 2015, the practice was that the invoices owed by UVE to the municipal water distribution utility of Vilnius (Vilniaus Vandenys) were offset by heating invoices owed by Vilnius to UVE. This compensation was formalized in a tripartite agreement.

Between the end of March 2015 and June 2015, Vilniaus Vandenys submitted three claims against UVE for the payment of UVE's debts (€15 million). After losing these three claims at the lower court level (on January 27, March 1 and April 18, 2016, respectively) and at the appeals level, UVE paid Vilniaus Vandenys.

UVE filed its claim before the courts on August 17, 2015 for payment of Vilnius's heating invoices (€27 million) until July 2015. On June 9, 2016, the court upheld UVE's claim for a total of €25.2 million (including interest on late payments) and divided the settlement into 48 monthly payments. Vilnius appealed on June 29, 2016. UVE also appealed on July 8, 2016 to contest the term of the payments. A date for the hearing has yet to be scheduled.

On May 30, 2016, UVE filed a claim against Vilnius for payment of heating invoices for a total of €5.6 million for the period from August 2015 to March 2016. A hearing has been scheduled for March 28, 2017.

On July 20, 2016, Vilniaus Vandenys submitted three new claims against UVE for the payment of UVE's recent debts (€7.2 million).

On November 23, 2016, Vilnius decided to return to a tripartite agreement with UVE and Vilniaus Vandenys for the compensation of UVE's debts to Vilniaus Vandenys and its own debts to UVE for an amount of €5.6 million. This agreement will go into effect upon its approval by the court, validating the reciprocal withdrawal of ongoing proceedings on the matter.

Proceeding initiated against Lithuania before the International Center for the Settlement of Investment Disputes ("ICSID").

Given the numerous legal actions and decisions described above, which are both inequitable and discriminatory, on January 26, 2016, the Group filed a request for arbitration against Lithuania before the International Center for the Settlement of Investment Disputes ("ICSID"). The Group considers it suffered damages in excess of €100 million. On December 22, 2016, the Group filed its statement of claim.

In addition, in December 2016, the Group filed a request with the arbitral tribunal for interim measures relating to Competition Council proceedings against UVE before Lithuanian courts, in the context of an order for the precautionary seizure of UVE's bank accounts; the request was withdrawn after the supreme administrative court reversed the seizure order.

On November 30, 2016, in the context of the Vilnius agreement, UVE also filed a request for arbitration before the Stockholm Chamber of Commerce ("SCC") to secure the appointment of an independent expert to evaluate the condition of the assets before the agreement comes to an end (March 29, 2017).

Italy – Environmental Services

As a result of a severe economic imbalance in the concession contracts of its two principal subsidiaries, Termo Energia Calabria ("TEC") and Termo Energia Versilia ("TEV"), and as a result of chronic late payments by the concession authorities to those companies, the Veolia Servizi Ambientali Tecnitalia S.p.A ("VSAT") group, which specializes in waste incineration in Italy, was compelled to file on April 18, 2012 a request for an amicable settlement procedure with creditors, called *concordato preventivo di gruppo* ("CPG") with La Spezia Civil Court. On March 20, 2013, La Spezia Civil Court acknowledged that the majority of creditors had voted in favor of the CPG. On July 17, 2013, the Court approved the CPG. Several creditors appealed this ruling before the Genoa Court of Appeals, which reversed the decision on January 9, 2014.

On March 12, 2014, the judge of the Genoa Court of Appeals rejected the request to suspend the January 9, 2014 decision filed by the companies of the VSAT group. The March 12, 2014 ruling is contrary to established case law and to the position of the Italian Supreme Court; it represents an isolated decision and a reversal in case law.

In light of the foregoing, on May 19, 2014, the companies of the VSAT group filed a request for the opening of judicial liquidation proceedings (*fallimento*) with La Spezia Court, which decided on June 25, 2014 to place these companies under judicial liquidation in a single procedure and appointed two receivers. One creditor requested that the receivers and reporting judge appointed by the La Spezia Court be removed. A hearing took place before such court on August 29, 2014, and the court subsequently rejected the request on September 23, 2014. The creditor then lodged an appeal before the Genoa Court of Appeals, which also rejected the request on December 29, 2014. A first hearing was held on March 4, 2015 before La Spezia Court to discuss the current liabilities of the companies of the VSAT group with the creditors of the VSAT group. Three other hearings, on the same topics, were held on April 8, April 29 and May 27, 2015.

On November 20, 2015, the bankruptcy judge prepared a statement of liabilities and adjudicated the admission of claims by Veolia Servizi Ambientali ("VSA"), the Italian holding company of the VSAT group. On December 22, 2015, a creditor opposed this admission. Following this opposition, the court scheduled a first appearance hearing of the parties for March 23, 2016. The court ordered an exchange of pleadings and remanded the case to the hearing of October 12, 2016.

On November 3, 2016, the La Spezia court dismissed the opposition filed by the creditor, which definitively waived its right to appeal, thus rendering the statement of liabilities final.

Additionally, on April 3, 2014, the Company was informed of a notice of the Reggio Calabria (Calabre) prosecutor's office relating to the conclusion of the preliminary investigation with the indictment of certain former TEC executives, certain TEC site managers, the former Calabria extraordinary commissioner and deputy commissioners, and certain transporters and managers of private landfills, as well as TEC as a legal entity. The alleged facts include fraud in the execution of the concession contract, illegal traffic of waste in an organized syndicate, fraud against a public legal person, fraud in public markets and allegations of corruption. The Reggio Calabria prosecutor's office requested that the indicted individuals and legal entity (TEC) face trial before the Criminal Court. A preliminary hearing was held on March 7, 2016.

The hearing was postponed several times. During the hearing, which was held on November 28, 2016, the defendants' counsel raised a plea of nullity with regard to the indictments and a plea of lack of jurisdiction with respect to the Reggio Calabria court. The case has been adjourned until May 9th, 2017 to allow the judge to rule on these preliminary objections.

Northern Europe

United Kingdom – Environmental Services - Sheffield

In August 2001, Sheffield Environmental Services Ltd 100% British subsidiary of Veolia ES Aurora Limited, entered into a waste management contract with Sheffield City Council ("SCC") which is due to expire in 2036.

Recent discussions have taken place regarding the future of the contract and possible termination scenarios. These include outstanding discussions in relation to the workings of the contract performance mechanism.

On January 18, 2017, SCC's cabinet committee approved a decision to re-procure the services.

Other segments – Société Nationale Maritime Corse Méditerranée (« SNCM »)

The process of judicial liquidation of SNCM continues. On October 26, 2016, the ordinary general shareholders' meeting of SNCM approved the financial statements for the year ended December 31, 2013 and 2014. On this same date, the extraordinary general shareholders' meeting of SNCM (i) decided on the early winding up of SNCM by way of voluntary liquidation and (ii) appointed a voluntary liquidator (in place of the existing judicial liquidator) until the judicial liquidation proceedings have been concluded, thereby terminating the mandates of the corporate bodies (Management Board and Supervisory Board).

Other segments – Regional aid to passenger road transportation

Transdev Group was informed by a letter from the President of the Ile-de-France Regional Council dated March 3, 2014, that on June 4, 2013, the Paris Administrative Court had instructed the Ile-de-France Region to proceed with the recovery of subsidies granted to operators under the plan for the improvement of public transportation services. These subsidies were deemed to be illegal state aid by a decision of the Paris Administrative Court of Appeals of July 12, 2010, on the grounds that no notification was made to the European Commission. According to the terms of the letter, this restitution obligation could affect certain of Transdev Group's subsidiaries that may have benefited from these subsidies, because the Paris Administrative Court of Appeals rejected on December 31, 2013 the Ile-de-France region's request for a stay of implementation on the restitution injunction. The Region appealed the decision of June 4, 2013; this appeal does not stay the injunction.

This first notification was also sent to other regular line operators in the outer Paris suburbs. This request for repayment is a legal dispute between the Ile-de-France Region and an occasional transportation company, and no subsidiary of the Transdev Group is a party to it. Although the Region mentions in its letter an estimated regional subsidized amount of approximately €98.7 million (not including interest) attributed to Transdev Group's subsidiaries, this estimate remains uncertain due to the complexity of the assessment resulting from, (i) the length of time the plan has existed, (ii) the number of operators that received the subsidies, a large number of which have since restructured/consolidated their activities, and (iii) the plan's operating rules, which involve local authorities with evolving scopes of responsibility and which are either intermediaries (the sums paid by the Region passing through them) or economic beneficiaries under the plan.

If the Ile-de-France Region were to issue a recovery order, the Transdev Group or its concerned subsidiaries would lodge an appeal with suspensive effect before the administrative court.

At this stage, Transdev Group maintains the position that the local authorities (departments, municipal associations, towns, among others), rather than Transdev Group, are, in almost all cases, the direct recipients of this financial aid because they benefit from contractual terms with reduced prices for transportation services billed to these local authorities.

Transdev Group, together with OPTILE (*Organisation Professionnelle des Transports d'Ile-de-France*, an association of all the private companies that operate regular lines in the Ile-de-France Transportation Plan), intends to contest any potential claims for repayment and intends to take legal action necessary to defend its interests.

Finally, in a press release dated March 11, 2014, the European Commission announced that, following a complaint filed in 2008, it is opening an in-depth investigation into the subsidies granted to companies that operate public transportation services in Ile-de-France. It also stated that the total amount of subsidies between 1994 and 2008 equaled €263 million according to French authorities and involved 235 recipients. In particular, the Commission will verify whether the recipients took on additional costs related to a public service obligation, and, if so, whether or not their services were subject to overcompensation. Lastly, the Commission stated that its investigation will focus on a similar system of subsidies that may have continued after 2008. The opening of an in-depth investigation does not in any way affect the outcome of the ongoing investigation described above.

As this decision was published on May 9, 2014 in the Official Journal of the European Union, Transdev Group had until June 9, 2014 to submit its comments as an interested third party. By letter of May 27, Transdev Group requested a one-month time period to reply, which it obtained. On July 9, 2014, Transdev Ile-de-France filed, on its own behalf and on that of all the entities of the group active in Ile-de-France, observations in addition to those filed by OPTILE in the interest of all its members. These observations, accompanied by an economic expert's report, suggest the total neutrality of the disputed aid for the transporters, which in reality benefits local communities, and the corresponding impossibility to seek any restitution whatsoever from the companies. Given developments in case law that took place after the filing of their submissions, the concerned companies, as interested third parties, drafted an additional note, that was submitted to the Commission by OPTILE on June 21, 2016.

On February 2, 2017, the Commission concluded that the state aids granted by the Ile-de-France Region to operators of public transportation services by bus in the region comply with the rules on European Union state aids.

In parallel, on February 27, 2015, Transdev Ile-de-France (as well as other interested members of OPTILE) filed before the Paris Administrative Court of Appeals:

- an application as a third party against the decision rendered by the same Court on July 12, 2010 that had stated that the subsidies in question were illegal, in which proceedings it was not a party;
- voluntary intervention, before the same Court, in the context of the appeal filed by the Ile-de-France Region against the decision of the Paris Administrative Court on June 4, 2013, asking that the Ile-de-France Region issue, as a consequence of the proceeding cited above, the enforcement orders allowing the recovery of the disputed aid. Under this proceeding, on May 26, 2015, Transdev Ile-de-France filed a statement of additional observations for a stay of proceedings pending the forthcoming ruling of the European Commission or, at least, pending the ruling of the Paris Administrative Court of Appeals under the third-party proceeding (see above).

By two decisions of November 27, 2015, the Paris Administrative Court of Appeals:

- rejected the third-party proceeding of Transdev Ile-de-France;
- required the Ile-de-France region to determine the amounts that should be returned by each beneficiary company of the aid plan, taking into account the nature of the subsidized investments and the type of transportation activity that was conducted, and to proceed with the recovery of the aid within a nine-month period. The Ile-de-France region indicated to the Administrative Court of Appeals that it would be extremely difficult for it to calculate the amount of the subsidies to be recovered, but the Court decided that the region was not entitled to invoke the practical difficulties it faced to recover the subsidies;

On January 27, 2016, Transdev Ile-de-France lodged an appeal against the decision to reject their third-party proceeding, which the supreme administrative court (*conseil d'état*) admitted on July 12, 2016.

NOTE 13 RELATED-PARTY TRANSACTIONS

The Group identifies related parties in accordance with the provisions of paragraph 9 of IAS 24 revised, Related Party Disclosures.

A breakdown of compensation and related benefits of key management (related parties) is presented in Note 6.2.

A breakdown of relations with joint ventures is presented in Note 5.2.4.1.

Relations with other related parties break down as follows:

Caisse des dépôts et consignations (4.62% shareholding as of December 31, 2016)

The Caisse des dépôts et consignations is considered a related party, as a legal entity director sitting on the Board of Directors of Veolia Environnement.

On December 21, 2016, Veolia Environnement and Caisse des dépôts et consignations finalized an agreement entered into on July 29, 2016 concerning Veolia Environnement's withdrawal from the transportation business and the share capital of Transdev Group. The agreements entered into pursuant to this agreement are set out in Note 3.3 to the consolidated financial statements.

Relations with Soficot

Mr. Serge Michel, the Chairman of this company, was a director of Veolia Environnement until April 21, 2016, the date of expiry of his term of office. At the end of this General Shareholders' Meeting, he was appointed a non-voting member *(censeur)* for a period of four years expiring at the end of the 2020 General Shareholders' Meeting.

In 2016, Soficot provided services to Veolia Environnement. The service agreement terminated at its expiry date of December 31, 2016 and was not renewed.

The services provided by Soficot to Veolia Environnement in 2016 are described in the Special Auditors' Report on Regulated Agreements.

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% and the residual balance will be settled when called by the Chairman of this company within a maximum of 5 years.

The duties of chairman of Raise Investissement SAS are performed by Raise Conseil SAS.

Mrs. Clara Gaymard, a director of Veolia Environnement, is considered a related party due to her position as Chief Executive Officer of Raise Conseil SAS.

NOTE 14 SUBSEQUENT EVENTS

No events occurred between the balance sheet date and the date when the Board of Directors authorised the consolidated financial statements for issue.

NOTE 15 MAIN COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

In 2016, Veolia Group consolidated or accounted for a total of 2,233 companies and 1,581 companies excluding Transdev Group, of which the main companies are:

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Veolia Environnement SA 21 rue La Boétie 75008 Paris	403 210 032 00104	FC	100.00	100.00
FRANCE				
Water				
Veolia Eau – Compagnie Générale des Eaux 21 rue La Boétie 75008 PARIS	572 025 526 10945	FC	100.00	100.00
Veolia Water 21 rue La Boétie 75008 PARIS	421 345 042 00053	FC	100.00	100.00
Compagnie des Eaux et de l'Ozone 21 rue La Boétie 75008 PARIS	775 667 363 02470	FC	100.00	100.00
Société Française de Distribution d'Eau 28 boulevard de Pesaro 92000 Nanterre	542 054 945 00416	FC	99.60	99.60
Compagnie Fermière de Services Publics ZAC de la Pointe 9, rue des Frênes 72190 SARGE LES LE MANS	575 750 161 00904	FC	99.87	99.87
Compagnie Méditerranéenne d'Exploitation des Services d'Eau – CMESE 1 rue Albert Cohen Immeuble Plein Ouest A 13016 MARSEILLE	780 153 292 00187	FC	99.72	99.72
Société des Eaux de Melun Zone Industrielle – 198/398, rue Foch 77000 Vaux Le Pénil	785 751 058 00047	FC	99.32	99.32
Société des Eaux de Marseille 25, rue Edouard-Delanglade 13006 Marseille	057 806 150 00017	FC	97.91	97.91
Waste				
Veolia Propreté 21 rue La Boétie 75008 PARIS	572 221 034 01230	FC	100.00	100.00
Routière de l'Est Parisien 28 boulevard de Pesaro 92000 Nanterre	612 006 965 00182	FC	100.00	100.00
ONYX Auvergne Rhône-Alpes 2/4, avenue des Canuts 69120 Vaulx en Velin	302 590 898 00656	FC	100.00	100.00
Onyx Est ZI de la Hardt – Route de Haspelschiedt 57230 Bitche	305 205 411 00070	FC	95.00	95.00
Paul Grandjouan SACO 6 rue Nathalie Sarraute 44200 Nantes	867 800 518 00609	FC	100.00	100.00
OTUS 28 boulevard de Pesaro 92000 Nanterre	622 057 594 00385	FC	100.00	100.00

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
OTHER EUROPEAN COUNTRIES				
Veolia Water UK Plc and its subsidiaries 210 Pentonville Road London N1 9JY (United Kingdom)		FC	100.00	100.00
Veolia ES (UK) Ltd and its subsidiaries 8th floor – 210 Pentonville Road London - N19JY (United Kingdom)		FC	100.00	100.00
Veolia Umweltservice GmbH and its subsidiaries Hammerbrookstrasse 69 20097 Hamburg (Germany)		FC	100.00	100.00
Veolia Deutschland GmbH and its subsidiaries Lindencorso Unter den linden 21 10117 Berlin (Germany)		FC	100.00	100.00
Braunschweiger Versorgungs- AG &Co.KG Taubenstrasse 7 38106 Braunschweig (Germany)		FC	74.90	74.90
Aquiris SA Avenue de Vilvorde, 450 1130 Bruxelles (Belgium)		FC	99.00	99.00
Apa Nova Bucuresti Srl Strada Aristide Demetriade nr 2, Sector 1 Bucarest (Romania)		FC	73.69	73.69
Veolia Central & Eastern Europe and its subsidiaries 21 rue La Boétie 75008 Paris	433 934 809 00032	FC	100.00	100.00
Veolia Energie Praha, a.s. Na Florenci 2116/15, Nové Město, 110 00 Praha 1 (Czech Republic)		FC	100.00	73.03
Prazske Vodovody A Kanalizace a.s. 11 Parizska 11000 Prague 1 (Czech Republic)		FC	100.00	100.00
Severoceske Vodovody A Kanalizace a.s. 1 689 Pritkovska 41550 Teplice (Czech Republic)		FC	50.10	50.10
Sofiyska Voda AD Mladost region Mladost 4 Business Park Street Building 2a 1000 Sofia Sofia (Bulgaria)		FC	77.10	77.10
Veolia Energy UK PLC and its subsidiaries Elizabeth House – 56-60 London Road Staines-upon-Thames TW18 4BQ (United Kingdom)		FC	100.00	99.96
Veolia NV-SA and its subsidiaries 52, quai Fernand-Demets 1070 – Bruxelles (Belgium)		FC	100.00	100.00
Siram SPA and its subsidiaries Via Bisceglie, 95 20152 Milano (Italy)		FC	100.00	99.96
Veolia Espana S.L.U. and its subsidiaries Cl Juan Ignacio Luca De tena, 4 28027 Madrid (Spain)		FC	100.00	99.96
Veolia Portugal SA Estrada de Paço d’Arcos 42 Paco d’Arços 2780 – Oeiras (Portugal)		FC	100.00	99.95

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Veolia Energia Polska ul. Puławska 2, Budynek Plac Unii C 02-566 WARSZAWA (Poland)		FC	60.00	59.98
Veolia Term SA and its subsidiaries ul. Ostrobramska 75C 04-175 WARSZAWA (Poland)		FC	100.00	59.98
Veolia Energia Warszawa and its subsidiary Ul Stefana Batorego 2 02-591 Warszawa (Poland)		FC	96.45	58.16
Veolia Nordic AB and its subsidiaries Hälsingegatan 47 113 31 Stockholm (Sweden)		FC	100.00	99.96
Vilnius Energija Joconiu St. 13 02300 VILNIUS (Lituania)		FC	100.00	99.96
Veolia Energia Zrt. and its subsidiaries Budafoki út 91-93 H-1117 Budapest (Hungary)		FC	99.97	99.93
Veolia Energia Slovensko A.S. and its subsidiaries Einsteinova 25 851 01 BRATISLAVA (Slovakia)		FC	100.00	99.96
Veolia Energie CR A.S. and its subsidiaries 28.Rijna 3123/152 709 74 Ostrava (Czech Republic)		FC	73.06	73.03
REST OF THE WORLD				
VNA Regeneration Services LLC 4760 World Houston Parkway, Suite 100 Houston, TX 77032 (United States)		FC	100.00	100.00
Veolia Water Americas, LLC and its subsidiaries 101 W. Washington Street, Suite 1400E Indianapolis, IN 46204 (United States)		FC	100.00	100.00
Veolia Environmental Services North America 200 East Randolph Street – Suite 7900 Chicago, IL 60601 (United States)		FC	100.00	100.00
VES Technical Solutions LLC Butterfield Center 700 East Butterfield Road, #201 Lombard, IL 60148 (United States)		FC	100.00	100.00
Veolia ES Industrial Services, Inc. 4760 World Houston Parkway, Suite 100 Houston,77032 TEXAS (United States)		FC	100.00	100.00
Veolia ES Canada Industrial Services Inc. 1705, 3ème avenue H1B 5M9 Montreal – Québec (Canada)		FC	100.00	100.00
PROACTIVA Medio Ambiente SA Calle Cardenal Marcelo Spinola 8 – 3A 28016 Madrid (Spain)		FC	100.00	100.00
Thermal North America Inc. 99 summer street ; suite 900 Boston Massachusetts 02110 (United States)		FC	100.00	100.00
Beijing Yansan Veolia Water No. 5 Yanshan Xinghua East Road, 102500 BEIJING (China)		FC	50.00	50.00
Shenzhen Water (Group) Co. Ltd and its subsidiaries 23 Floor, Wan De Building Shennan Zhong Road Shenzhen, (China)		EA	45.00	25.00
Shanghai Pudong Veolia Water Corporation Ltd No. 703 Pujian Road, Pudong New District 200127 SHANGHAI (China)		EA	50.00	50.00

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Changzhou CGE Water Co Ltd No.12 Juqian Road, CHANGZHOU Municipality, Jiangsu Province 213000 (China)		EA	49.00	24.99
Kunming CGE Water Supply Co Ltd No.6 Siyuan Road, Kunming Municipality, Yunnan Province 650231 (China)		EA	49.00	24.99
Veolia Korea and its subsidiaries East 16 F Signature Towers Building Chungyechou-ro 100 Jung-gu (South Korea)		FC	100.00	100.00
Veolia Water Australia and its subsidiaries Level 4, Bay Center, 65 Pirrama Road, Pyrmont NSW 2009 (Australia)		FC	100.00	100.00
Société d'Énergie et d'Eau du Gabon 356 Avenue Felix Eboué – BP 2082 – Libreville (Gabon)		FC	51.00	51.00
Veolia Middle East and its subsidiaries 21 rue La Boétie 75008 Paris	505 190 801 00041	FC	100.00	100.00
Veolia Water Middle East North Africa (Veolia Water MENA) and its subsidiaries 21 rue de la Boétie 75008 Paris	403 105 919 00050	FC	100.00	100.00
Amendis 23, rue Carnot 90 000 Tanger (Morocco)		FC	100.00	100.00
REDAL SA 6 Zankat Al Hoceima, BP 161 10 000 Rabat (Morocco)		FC	100.00	100.00
Lanzhou Veolia Water (Group) Co LTD No. 2 Hua Gong Street, Xigu District, LANZHOU, Gansu Province (China)		EA	45.00	22.95
Sharqiyah Desalination Co. SAOC PO Box 685, PC 114 Jibroo, (Sultanate of Oman)		EA	35.75	35.75
Tianjin Jinbin Veolia Water Co Ltd No2 Xinxiang Road, Bridge 4 Jin Tang Expressway, Dongli District Tianjin Municipality (China)		EA	49.00	49.00
Veolia Water – Veolia Environmental Service (Hong Kong) - VW- VES (HK) Ltd Units 7601-03&06-13,76/F, The Center, 99 Queen's Road Central, (Hong Kong)		FC	100.00	100.00
Veolia Environmental Services Australia Pty Ltd Level 4, Bay Center – 65 Pirrama Road NSW 2009 – Pyrmont (Australia)		FC	100.00	100.00
Veolia Environmental Services Asia Pte Ltd 5 Loyang Way 1-WMX Technologies Building 508706 (Singapore)		FC	100.00	100.00
Veolia Environmental Services China LTD Rm 4114 Sun Hung Kai Centre – 30 Harbour Road Wanchai – (Hong-Kong)		FC	100.00	100.00
GLOBAL BUSINESSES				
Sade-Compagnie Générale de Travaux d'Hydraulique (CGTH-SADE) and its subsidiaries ZAC François Ory 23/25 avenue du docteur Lannelongue 75014 Paris	562 077 503 02584	FC	100.00	99.44
Veolia Water Technologies and its subsidiaries L'Aquarène - 1, place Montgolfier 94417 St Maurice Cedex	414 986 216 00037	FC	100.00	100.00

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
OTV l'Aquarène – 1 place Montgolfier 94417 St Maurice Cedex	433 998 473 000 14	FC	100.00	100.00
SARP Industries and its subsidiaries 427, route du Hazay – Zone Portuaire Limay-Porcheville 78520 Limay	303 772 982 00029	FC	100.00	99.86
Société d'Assainissement Rationnel et de Pompage (SARP) and its subsidiaries 52 avenue des Champs Pierreux – 92000 Nanterre	775 734 817 00387	FC	100.00	99.68
Société Internationale de Dessalement (SIDEM) 20-22 rue de Clichy – 75009 Paris	342 500 956 000 20	FC	100.00	100.00
Kurion Inc. and its subsidiaries 2020 Main Street Suite 300 IRVINE 92614 California (United States)		FC	100.00	100.00
OTHER				
Veolia Energie International 21 rue La Boétie 75008 Paris	433 539 566 00045	FC	99.95	99.96
Including Transportation activities				
Transdev Group and its subsidiaries Immeuble Sereinis 32, boulevard Gallieni 92130 Issy Les Moulineaux	521 477 851 00039	EA	30.00	30.00

Consolidation method:

FC: Full consolidation –EA: Equity associate

The German subsidiaries of the Group are included in the enclosed consolidated financial statements. In accordance with sections 264(3), 264-B and 291 of the German Commercial Code (HGB), these entities may be exempt from the obligation to publish an annual report and present consolidated financial statements under German GAAP. Subsidiaries that have opted for this exemption are listed below:

Publication exemption	Company	Country	Currency
	ALTAVATER CHERNIVZY	UKRAINE	UAH
	ALTVATER KIEV	UKRAINE	UAH
	ALTVATER KRYM	UKRAINE	RUB
	ALTVATER TERNOPIL	UKRAINE	UAH
	AQUA CONSULT INGENIEUR GmbH	GERMANY	EUR
	Bio-und Holzkraftwerk Zapfendorf GmbH	GERMANY	EUR
	BIOCYCLING GmbH	GERMANY	EUR
	BIOCYCLING BARDOWICK GmbH	GERMANY	EUR
YES	BIOCYCLING BARDOWICK GmbH & Co. KG	GERMANY	EUR
	BMA ESSENHEIM GmbH (vorher BMA)	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
	EVG ENTSORGUNGS- END VERWERTUNGSGESELLSCHAFT mbH	GERMANY	EUR
	GASVERSORGUNG GÖRLITZ GmbH	GERMANY	EUR
	GERAER STADTWIRTSCHAFT GmbH	GERMANY	EUR
YES	GLOBALIS SERVICE GmbH & CO. KG	GERMANY	EUR
	GLOBALIS BETEILIGUNGSGESELLSCHAFT mbH	GERMANY	EUR
	GUD GERAER UMWELTDIENSTE GmbH & Co. KG	GERMANY	EUR
	GUD GERAER UMWELTDIENSTE VERWALTUNGS GmbH	GERMANY	EUR
	HRH RECYCLING GmbH	GERMANY	EUR
	INTROTEC Schwarza GmbH	GERMANY	EUR

Publication exemption	Company	Country	Currency
	JOB & MEHR GmbH	GERMANY	EUR
	KANALBETRIEBE FRITZ WITHOFS GmbH	GERMANY	EUR
	OEWA KÖNIGSBRÜCK GmbH	GERMANY	EUR
	OEWA STORKOW GmbH	GERMANY	EUR
	OEWA WASSER UND ABWASSER GmbH	GERMANY	EUR
	OEWA WEGELEBEN GmbH	GERMANY	EUR
	Ökotec Energiemanagement GmbH	GERMANY	EUR
	ORKS ONYX ROHR- UND KANAL-SERVICE GmbH	GERMANY	EUR
	OSD Ostthüringer Service- und Dienstleistungs – GmbH	GERMANY	EUR
	OTWA Ostthüringer Wasser und Abwasser GmbH	GERMANY	EUR
	RECYCLING & ROHSTOFFVERWERTUNG KIEL GmbH	GERMANY	EUR
	RECYPET AG	SWITZERLAND	CHF
YES	ROHSTOFFHANDEL KIEL GmbH & Co. KG	GERMANY	EUR
	STADTENWAESSERUNG BRAUNSCHWEIG GmbH	GERMANY	EUR
	STADTWERKE GÖRLITZ Aktiengesellschaft	GERMANY	EUR
	STADTWERKE PULHEIM DIENSTE GmbH	GERMANY	EUR
	STADTWERKE THALE GmbH	GERMANY	EUR
	STADTWERKE WEISSWASSER GmbH	GERMANY	EUR
	TVF WASTE SOLUTIONS GmbH	GERMANY	EUR
	VBG VERWALTUNGS- UND BETEILIGUNGSGESELLSCHAFT mbH	GERMANY	EUR
	VEOLIA DEUTSCHLAND GmbH	GERMANY	EUR
	VEOLIA ENERGIE DEUTSCHLAND GmbH	GERMANY	EUR
	VEOLIA ENVIRONNEMENT LAUSITZ GmbH	GERMANY	EUR
	Veolia Industriepark GmbH	GERMANY	EUR
	VEOLIA INDUSTRIESERVICE GmbH Deutschland	GERMANY	EUR
	VEOLIA STADTWERKE BRAUNSCHWEIG BETEILIGUNGS- GmbH	GERMANY	EUR
	VEOLIA UMWELTSERVICE & CONSULTING GmbH	GERMANY	EUR
	VEOLIA UMWELTSERVICE BETEILIGUNGSVERWALTUNGS GmbH	GERMANY	EUR
	VEOLIA UMWELTSERVICE DUAL GmbH	GERMANY	EUR
	VEOLIA UMWELTSERVICE GmbH	GERMANY	EUR
	VEOLIA UMWELTSERVICE GmbH DEUTSCHLAND	GERMANY	EUR
	VEOLIA UMWELTSERVICE NORD GmbH	GERMANY	EUR
YES	VEOLIA UMWELTSERVICE OST GmbH & Co. KG	GERMANY	EUR
	VEOLIA UMWELTSERVICE OST VERWALTUNGS GmbH	GERMANY	EUR
	VEOLIA UMWELTSERVICE PET RECYCLING GmbH	GERMANY	EUR
	VEOLIA UMWELTSERVICE RESSOURCENMANAGEMENT GmbH	GERMANY	EUR
YES	VEOLIA UMWELTSERVICE SÜD GmbH & Co. KG	GERMANY	EUR
	VEOLIAUMWELTSERVICE SÜD VERWALTUNGS GmbH	GERMANY	EUR
	VEOLIA UMWELTSERVICE WERTSTOFFMANAGEMENT GmbH	GERMANY	EUR
	VEOLIA UMWELTSERVICE WEST GmbH	GERMANY	EUR
	VEOLIA VERWALTUNGSGESELLSCHAFT mbH	GERMANY	EUR

NOTE 16 AUDIT FEES

Audit fees incurred by the Group, including fees related to equity associates, during fiscal years 2016 and 2015 total €28.7 million and €32.1 million, respectively, including:

- €24.5 million in 2016 and €28.4 million in 2015 in respect of the statutory audit of the accounts;
- €4.2 million in 2015 and €3.7 million in 2015 in respect of services falling within the scope of diligences directly related to the audit engagement.

Statutory Auditor’s Report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

Year ended December 31, 2016

To the Shareholders,

In compliance with the assignment entrusted to us at your Annual General Meetings, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of Veolia Environnement;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1 Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2016 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

Without qualifying our opinion, we draw your attention to Note 1.2 - Change in accounting method and presentation - to the consolidated financial statements which sets out the change in accounting method as a result of the clarification made in July 2016 by the IFRS Interpretations Committee related to the treatment of fixed payments made by private operators under a concession contract within the scope of IFRIC 12.

2 Justification of our assessments

In accordance with the requirements of article L.823-9 of the *Code de commerce* (French Commercial Code) relating to the justification of our assessments, we bring to your attention the following matters.

As disclosed in Note 2 to the consolidated financial statements, your group 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.

These estimates relate principally to:

- goodwill and intangible and tangible assets : we have analyzed the implementation procedures for regular annual impairment tests and the data and assumptions used to compute future cash flows of Cash-Generating Units concerned. We have also reviewed the calculations made and verified that the information disclosed in Notes 5.2.4, 7.1, 7.2 and 7.3 to the consolidated financial statements provide appropriate disclosure;
- deferred tax assets recognized in respect of tax losses : we have verified that the recognition criteria were met and assessed the assumptions underlying the taxable income forecasts and the resulting consumption of tax losses carried forward. We have also verified that Note 11 to the consolidated financial statements provides appropriate disclosure;

- provisions for claims and litigation and contingent liabilities : we have assessed the bases on which such provisions were made and estimated and have verified that Notes 10 and 12 to the consolidated financial statements provide appropriate disclosure.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 Specific verification

As required by law, we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory Auditors

French original signed by

Paris-La Défense, March 15, 2017

KPMG Audit		**ERNST & YOUNG et Autres**	
A division of KPMG S.A.			
Jean-Paul Vellutini	Karine Dupré	Gilles Puissochet	Xavier Senent

4.2 Company Financial Statements AFR

BALANCE SHEET AS OF DECEMBER 31, 2016

ASSETS

	As of December 31, 2016			As of December 31, 2015
(in € thousands)	Gross	Deprec. amort. & provisions	Net	Net
Share capital subscribed but not called	-	-	-	-
Non-current assets				
Intangible assets				
Preliminary expenses	-	-	-	-
Research & development expenditure	-	-	-	-
Concessions, patents, licenses, trademarks, processes, and software, rights and similar	202,865	157,774	45,091	927
Purchased goodwill[1] [a]	-	-	-	448,088
Other intangible assets				
Intangible assets under construction	6,240	-	6,240	7,037
Property, plant and equipment				
Land				
Buildings				
Industrial and technical plant				
Other property, plant and equipment	39,522	18,646	20,876	48
Property, plant and equipment in progress	5,530	-	5,530	-
Payments on account - PP&E				
Long-term loans and investments[2]				
Equity investments	14,212,864	3,314,131	10,898,733	10,989,234
Loans to equity investments	11,091,762	109,195	10,982,567	10,741,687
Long-term portfolio investments (TIAP)	5,000	-	5,000	-
Other long-term investments securities	677	-	677	677
Loans	433,808	-	433,808	470,187
Other long-term loans and investments	765,313	167,601	597,712	199,282
TOTAL (I)	26,763,581	3,767,347	22,996,234	22,857,167
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	**711**	-	**711**	**1,661**
Receivables[3]				
Operating receivables:				
Trade receivables and related accounts	125,602	11,408	114,194	191,029
Other receivables	1,596,883	10,678	1,586,206	1,669,789
Miscellaneous receivables:				
Share capital subscribed and called but not paid in				

	As of December 31, 2016			As of December 31, 2015
(in € thousands)	Gross	Deprec. amort. & provisions	Net	Net
Marketable securities				
Treasury shares	145,615	43,661	101,954	83,545
Other securities	3,812 608	-	3,812 608	2,424,296
Treasury instruments - Assets	225,425	-	225,425	194,287
Cash at bank and in hand	**427,017**	**-**	**427,017**	**359,470**
Prepayments(4)	**42,004**	**-**	**42,004**	**7,110**
TOTAL (II)	6,375 865	65,747	6,310 119	4,931,187
Accrued income and deferred charges				
Deferred charges (III)	**80,026**	**-**	**80,026**	**83,901**
Bond redemption premiums (IV)	**166,325**	**-**	**166,325**	**185,853**
Unrealized foreign exchange losses (V)	**462,076**	**-**	**462,076**	**236,459**
GRAND TOTAL (I+II+III+IV+V)	33,847,873	3,833,094	30,014,780	28,294,567
(1) Of which leasehold rights			*-*	*-*
(2) Portion due in less than one year			*197,163*	*384,024*
(3) Portion due in more than one year			*160,321*	*172,891*
(4) Portion due in more than one year			*31,172*	*4,808*

(a) Reclassification of the technical merger losses from purchased goodwill to "Other long-term loans and investments".

Equity and liabilities

(in € thousands)	As of December 31, 2016	As of December 31, 2015
Shareholders' equity		
Share capital (of which paid in: 2,816,824)	2,816,824	2,816,824
Additional paid-in capital	6,973,859	6,978,299
Revaluation reserves		
Equity-accounting revaluation reserve		
Reserves		
Reserve required by law	281,682	273,628
Reserves required under the Articles of Association or contractually		
Special long-term capital gains reserve		
Other reserves		
Retained earnings	-	61,262
Net income for the year	513,840	343,600
Sub-total: Shareholders' Equity	10,586,205	10,473,613
Investment subsidies		
Tax-driven provisions	3,908	2,486
TOTAL (I)	**10,590,113**	**10,476,099**
Equity equivalents		
Proceeds from issues of equity equivalent securities		
Subordinated loans		
Other		
TOTAL (I B)		
Provisions		
Provisions for contingencies	435,340	342,785
Provisions for losses	18,334	40,316
TOTAL (II)	**453,674**	**383,101**
Liabilities (1)		
Convertible bonds		
Other bond issues	9,115,385	7,687,981
Bank borrowings (2)	101,007	35,049
Other borrowings (3)	8,891,407	8,852,061
Payments received on account for work-in-progress		
Operating payables		
Trade payables and related accounts	142,222	106,469
Tax and employee-related liabilities	79,855	99,374
Other operating payables		
Miscellaneous liabilities		
Amounts payable in respect of PP&E and related accounts	13,559	753
Tax liabilities (income tax)		
Other miscellaneous liabilities	49,753	52,345
Treasury instruments – Liabilities	254,386	189,924
Accrued income and deferred charges		
Deferred income	180,463	240,484
TOTAL (III)	**18,828,037**	**17,264,440**
UNREALIZED FOREIGN EXCHANGE GAINS (IV)	**142,956**	**170,927**
GRAND TOTAL (I+II+III+IV)	**30,014,780**	**28,294,567**
(1) Portion due in more than one year	9,297,896	8,796,595
Portion due in less than one year	9,530,141	8,467,845
(2) Of which overdrafts and current bank facilities	101,007	35,049
(3) Of which equity equivalent loans	-	-

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2016

(in € thousands)	2016	2015
Operating revenue[1]		
Sales of bought-in goods		
Sales of own goods and services	427,626	472,764
Net sales	427,626	472,764
Of which export sales		
Changes in inventory of own production of goods and services		
Own production capitalized	5,233	5,095
Operating subsidies	89	173
Write-back of provisions (and depreciation and amortization) and expense reclassifications	84,901	7,221
Other revenue	81,943	81,004
TOTAL (I)	599,792	566,257
Operating expenses[2]		
Purchases of bought-in goods		
Change in inventories of bought-in goods		
Purchases of raw materials and other supplies		
Change in inventories of raw materials and other supplies		
Other purchases and external charges*	302,437	251,426
Duties and taxes other than income tax	16,711	16,881
Wages and salaries	132,621	125,542
Social security contributions	63,283	66,045
Depreciation, amortization and charges to provisions:		
On non-current assets: depreciation and amortization	26,078	12,081
On non-current assets: charges to provisions	200	215
On current assets: charges to provisions	5,154	3,965
For contingencies and losses: charges to provisions	4,079	48,767
Other expenses	108,716	110,683
TOTAL (II)	659,279	635,605
1. OPERATING LOSS (I – II)	(59,487)	(69,348)
Joint venture operations	**193**	**209**
Profits transferred in or losses transferred out (III)	193	209
Profits transferred out or losses transferred in (IV)	-	-
* *Of which:*		
Equipment finance lease installments		
Real estate finance lease installments		
(1) *Of which income relating to prior periods*		
(2) *Of which expenses relating to prior periods*		

(in € thousands)	2016	2015
Financial income(3)		
Financial income from equity investments	620,649	737,174
Financial income from other securities and long-term receivables	8,929	9,183
Other interest and similar income	188,450	240,619
Write-back of provisions for financial items and expense reclassifications	580,765	502,368
Foreign exchange gains	1,711,742	2,423,402
Net gain on sales of marketable securities	1,453	2,559
TOTAL (V)	3,111,988	3,915,305
Financial expenses		
Amortization and charges to provisions for financial items	516,564	323,603
Interest and similar expenses(4)	587,192	734,723
Foreign exchange losses	1,388,849	2,558,377
Net loss on sales of marketable securities	5	47
TOTAL (VI)	2,492,610	3,616,750
2. NET FINANCIAL INCOME (V–VI)	619,378	298,555
3. NET INCOME FROM ORDINARY ACTIVITIES BEFORE TAX (I-II+III-IV+V-VI)	560,084	229,415
Exceptional income		
Exceptional income from non-capital transactions	10,795	13
Exceptional income from capital transactions	227,623	4,171
Exceptional write-back of provisions and expense reclassifications	13,947	20,337
TOTAL (VII)	252,365	24,521
Exceptional expenses		
Exceptional expenses on non-capital transactions	4,716	674
Exceptional expenses on capital transactions	394,045	3,942
Exceptional depreciation, amortization and charges to provisions	3,218	13,040
TOTAL (VIII)	401,979	17,656
4. NET EXCEPTIONAL ITEMS (VII–VIII)	(149,614)	6,865
STATUTORY EMPLOYEE PROFIT-SHARING (IX)		
INCOME TAX EXPENSE (X)	103,370	107,319
TOTAL INCOME (I+III+V+VII)	3,964,338	4,506,292
TOTAL EXPENSES (II+IV+VI+VIII+IX-X)	3,450,498	4,162,692
NET INCOME	513,840	343,600
(3) Of which income from related parties	1,051,621	1,529,701
(4) Of which interest charged by related parties	13,558	7,225

PROPOSED APPROPRIATION OF 2016 NET INCOME

(in euros)	2016
2016 Net income	**513,839,703**
Distributable reserves	
Prior year retained earnings	
i.e. a total of	**513,839,703**
To be appropriated as follows(1)	
to the reserve required by law	
to dividends (€0.80 x 548,299,988 shares)(2)	438,639,990
to retained earnings	75,199,713
Shareholders' equity accounts after appropriation and distribution of the dividend	
Share capital	2,816,824,115
Additional paid-in capital	6,973,859,238
Reserve required by law	281,682,412
Other reserves	
2016 retained earnings	75,199,713
TOTAL (3)	10,147,565,478

(1) Subject to the approval of the Shareholders' Meeting.

(2) The total dividend distribution presented in the above table is calculated based on 563,364,823 shares outstanding as of December 31, 2016, including 15,064,835 treasury shares held as of this date, and may change depending on movements in the number of shares conferring entitlement to dividends up to the ex-dividend date. Consequently, amounts deducted from "2016 retained earnings" and/or "distributable reserves" may change depending on the definitive dividend amount paid.

(3) After the appropriation of net income and distribution of the proposed dividend for 2016, the shareholders' equity of the Company shall be €10,147,565,478.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(in € thousands)	2016	2015
Source of funds		
Operating cash before changes in working capital[1]	557,467	357,580
Disposals or decreases in non-current assets	-	-
Disposals of intangible assets and PP&E	606	3,655
Disposals of equity investments[2]	226,146	64
Disposals of long-term investment securities	-	-
Repayment of financial receivables (long-term advances)	2,096,359	1,263,740
Repayment of other long-term loans and investments	37,018	474,402
Increase in shareholders' equity	-	16,260
New borrowings [3]	2,000,576	350,000
TOTAL SOURCE OF FUNDS	4,918,172	2,465,701
Application of funds		
Dividend distribution (including registration fees)	401,248	383,953
Acquisitions or increases in non-current assets	-	-
Intangible assets and PP&E[4]	82,560	5,131
Long-term loans and investments		
Equity investments	18,634	35,125
Long-term financial receivables	2,778,634	5,226,574
Long-term portfolio investments (TIAP)[5]	2,500	-
Other long-term loans and investments	-	-
Decrease in shareholders' equity	-	-
Principal payments on borrowings	382,380	1,183,797
TOTAL APPLICATION OF FUNDS	3,665,956	6,834,580
Increase / decrease in working capital requirements	1,252,216	(4,368,879)
TOTAL	4,918,172	2,465,701

(1) *Increase of €457.8 million in foreign exchange gains, decrease of €116.2 million in income from equity investments and decrease of €133.3 million in expense transfers (loss of €137 million realized on the redemption of bonds in 2015).*

(2) *The Company sold a 20% stake in Transdev to Caisse des dépôts et consignations for €220 million.*

(3) *Four bond issues (OCEANE bonds convertible into and/or exchangeable for new and/or existing shares for €700 million, two bond lines totaling €1,100 million and a Panda bond issue of 1,000 million renminbi on the Chinese domestic market (€133.9 million equivalent)).*

(4) *Assets contributed on the merger of Veolia Services Support France and Veolia Environnement Technologies France had a gross value of €221 million and a net value of €60 million.*

(5) *Paid-up portion of the subscription to the RAISE Investissement share capital increase.*

Notes to the Company Financial Statements

NOTE 1 MAJOR EVENTS OF THE PERIOD

1.1 Transdev / SNCM

On December 21, 2016, negotiations with Caisse des dépôts et consignations, hereinafter CDC, were finalized with the signature of the following agreements:

- an initial immediate divestment by the Group of 20% of the share capital for a consideration of €220 million;
- the divestment of the residual 30% interest within a maximum of two years, with the Group undertaking to seek out a third-party buyer during this period.

The divestment prices are 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.

At the end of this two-year period, Veolia Environnement holds a put option with CDC at the initial valuation price, while CDC holds a call option at the same price.

Furthermore, in the context of the finalization of these agreements, Veolia Environnement acquired Transdev's investment in SNCM, in liquidation, for a total consideration of four euros.

The Group also confirmed the continuation of the vendor warranties concerning SNCM granted to CDC on signature of the agreements of May 4, 2010. The only warranty still effective concerns the three SNCM appeals (State assistance, cancellation of the Public Service Delegation arrangement and abuse of a dominant position with CMN), for which the risk of a claim would appear extremely limited. The Group also granted a compensation commitment valid until December 31, 2019, covering CDC against any loss suffered directly or indirectly through Transdev, relating to SNCM. Finally, the Group has also undertaken in the event of the sale of the residual 30% stake to a third party, to grant this party at its request, a compensation commitment covering any assistance to be repaid to the Greater Paris regional council.

As of December 31, 2016, the agreements signed by CDC and Veolia Environnement in respect of the initial divestment of 20% of Transdev Group share capital had a positive impact of €112 million on net income in the Veolia Environnement financial statements.

Veolia Environnement's residual stake in Transdev Group (30%) is valued at €330 million as of December 31, 2016.

1.2 Merger by absorption of Veolia Environnement Technologies France and Veolia Services Support France

1.2.1 Merger by absorption of Veolia Environnement Technologies France

A draft agreement for the merger by absorption of Veolia Environnement Technologies France, hereinafter VE TECH, was signed on May 2, 2016 and published in the BODACC (Official Bulletin of Civil and Commercial Announcements) on June 7, 2016.

VE TECH is a simplified joint stock company specializing in the design, development and management of information systems and the roll-out of IT applications in a production environment.

The aim of this restructuring was to:

- streamline the Veolia Group legal organization by regrouping Veolia Environnement's subsidiary, VE TECH, in a single legal structure to encourage better communication with partners both external and internal to the Veolia Environnement division;
- reduce the expenses of the Veolia Environnement division.

From a legal, accounting and tax perspective, the merger took effect on July 1, 2016.

VE TECH contributed to Veolia Environnement, by way of a simplified merger, subject to standard and legal guarantees, all assets and liabilities, rights, securities and obligations, without exception or reservation.

The merger consists of a universal transfer of all asset and liability items, together with all related off-balance sheet commitments and collateral, comprising the assets of VE TECH.

The net asset value of the contribution was estimated at -€7,245,233. The net value of the VE TECH securities in the Veolia Environnement financial statements is €0, generating a merger loss of €7,245,233, recognized in financial expenses.

1.2.2 Merger by absorption of Veolia Services Support France

A draft agreement for the merger by absorption of Veolia Services Support France, hereinafter V2S, was signed on July 26, 2016 and published in the BODACC (Official Bulletin of Civil and Commercial Announcements) on August 5, 2016.

The corporate purpose of V2S, a simplified joint stock company, is the provision of all services relating to the administrative, financial and commercial management of certain Group entities, as well as all services relating to the supply of light or utility vehicles and moveable and real property to certain Group entities.

The aim of this restructuring was to:

- streamline the Veolia Group legal organization by regrouping Veolia Environnement's subsidiary, V2S, in a single legal structure to encourage better communication with partners both external and internal to the Veolia Environnement division;
- reduce the expenses of the Veolia Environnement division.

From a tax and accounting perspective, this merger is retroactive to January 1, 2016.

V2S contributed to Veolia Environnement, by way of a simplified merger, subject to standard and legal guarantees, all assets and liabilities, rights, securities and obligations, without exception or reservation, including the assets and liabilities arising from the transactions carried out since January 1, 2016, the effective date chosen to establish the terms and conditions of the transaction until the merger's final completion date.

The merger consists of a universal transfer of all asset and liability items, together with all related off-balance sheet commitments and collateral, comprising the assets of V2S.

The net asset value of the contribution was estimated at -€25,839,597. The net value of the V2S securities in the Veolia Environnement financial statements is €0, generating a merger loss of €25,839,597, recognized in financial expenses.

1.3 Events relating to bond issues

1.3.1 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 €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.

1.3.2 Offering of a Panda bond

On September 1, 2016, Veolia Environnement successfully issued a bond for a nominal amount of 1 billion renminbi (€133.9 million) on the Chinese domestic market (Panda Bond).

This bond issue, the first by a French issuer on the Panda market, was performed via a private placement, and bears interest of 3.5% for a 3 year maturity.

1.3.3 Bond issue

On October 4, 2016, Veolia Environnement successfully performed at par a dual tranche bond issue of €1.1 billion, comprising a €600 million tranche maturing in October 2023 and bearing a coupon of 0.314% and a €500 million tranche maturing in January 2029 and bearing a coupon of 0.927%.

1.3.4 Redemption of a bond line

On February 12, 2016, Veolia Environnement redeemed a bond line in the amount of €382.4 million.

1.4 Treasury shares

In 2016, due to the decrease in its share price, Veolia Environnement recorded a movement in the treasury share impairment provision, generating an expense of €53.9 million, based on an average share price in December 2016 of €15.76, compared with €21.81 in December 2015.

The gross value of the 15,064,835 treasury shares held as of December 31, 2016 was €445.4 million, provided for in the amount of €211.3 million, and representing a net carrying amount of €234.1 million.

NOTE 2 ACCOUNTING PRINCIPLES AND METHODS

2.1 Basis of preparation

The Company financial statements for the year ended December 31, 2016 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, 2016 and has a duration of 12 months.

Veolia Environnement, whose registered office is located at 21, rue La Boétie, 75008 Paris, prepared Veolia Group consolidated financial statement under the number: 403,210,032 R.C.S. Paris.

A copy of the financial statements may be obtained at the Company's administrative headquarters at 30, rue Madeleine Vionnet, 93300 Aubervilliers.

2.2 Main accounting policies

Non-current assets: on initial recognition in the accounts, non-current assets are recorded at acquisition cost if acquired for valuable consideration, at market value if acquired for nil consideration or at production cost if produced by the Company.

Intangible assets: in the course of major IT projects, the Company incurs project costs which it capitalizes when they satisfy certain criteria. These costs are not amortized prior to asset commissioning.

Technical merger losses are recognized according to the nature of the underlying asset to facilitate monitoring over time, in accordance with the new rules defined by ANC Regulation no. 2015-06. Technical merger losses are amortized on the same basis as the underlying asset to which the unrealized capital loss relates. The share of the loss allocated to non-depreciable assets is not amortized but is impaired, where appropriate, in accordance with Article 745-8 of the French General Chart of Accounts.

Property, plant and equipment: depreciation is calculated over the expected period of use. More specifically, fixtures and fittings and installations are depreciated on a straight-line basis over periods of six to ten years. Furniture and office equipment are depreciated on a straight-line basis over periods of between five and ten years. Finally, vehicles are depreciated on a straight-line basis over five years.

Equity investments: this heading records the acquisition cost of securities held by Veolia Environnement in companies over which it exercises control or significant influence, directly or indirectly.

At the date of entry into Company assets, the gross value of "Equity investments" is their acquisition cost. The Company has elected to capitalize costs relating to the acquisition of equity investments. At the closing date, the value in use of equity investments is determined by the Company based on criteria encompassing profitability, growth perspectives, net assets and the stock market value of securities held, where applicable. Where the net carrying amount of an equity investment exceeds its value in use, an impairment provision is recorded in the amount of the difference.

Pursuant to the change in tax regime applicable to equity investment acquisition costs introduced by Article 21 of the 2007 Finance Act and completed by Article 209 of the French General Tax Code and based on Opinion no. 2007-C of June 15, 2007 issued by the Urgent Issues Taskforce of the French National Accounting Institute (*Conseil National de la Comptabilité*), Veolia Environnement has recognized the tax deferral of security acquisition costs over a period of five years in the accelerated depreciation account since January 1, 2007.

Other long-term loans and investments: treasury shares are recorded in long-term investment securities when earmarked for external growth operations. They are recognized at acquisition cost and an impairment provision is recorded if their market value is less than their net carrying amount.

Term accounts not classified as cash equivalents are recorded in "Other long-term loans and investments".

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.

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.

Foreign currency-denominated transactions: during the year, foreign currency-denominated transactions are translated into euro at the daily exchange rate.

Liabilities, receivables and cash balances denominated in currencies other than the euro are recorded in the balance sheet at their euro equivalent determined using year-end exchange rates. Gains and losses resulting from the translation of foreign currency liabilities and receivables and related hedge transactions at year-end exchange rates are recorded in "Unrealized foreign exchange gains and losses".

In accordance with Article 420-7 of the French General Chart of Accounts, unrealized foreign exchange gains and losses on foreign currency cash accounts are recognized directly in foreign exchange gains and losses. Similarly, foreign exchange gains and losses on subsidiary current accounts equivalent in nature to cash accounts are recognized directly in foreign exchange gains and losses.

Pursuant to Articles 224-2, 224-3 and 420-6.I of the French General Chart of Accounts, Veolia Environnement applies hedge accounting to clearly identified and documented matching structural foreign exchange positions, which seek to perfectly hedge the consequences of currency fluctuations. Foreign exchange gains and losses arising on components of this matching exposure are recognized in order to offset the hedged item.

This approach is also applied to equity investments denominated in a foreign currency, hedged by borrowings or currency derivatives.

Other liabilities, receivables and currency derivatives not forming part of matching hedge relationships are included in the overall foreign exchange position per currency, as provided in Article 420-5 of the French General Chart of Accounts.

Contingency provisions are recorded in respect of all unrealized foreign exchange losses identified on matching foreign exchange positions and overall foreign exchange positions by currency, in the amount of the total net loss.

Recognition of financial transactions: financial transactions (loans, borrowings, derivatives, etc.) are recognized at the value date, with the exception of cash pooling transactions with subsidiaries which are recognized at the trade date.

Inflation-linked bond issue: the issue premium is fixed on issue and amortized on a time-apportioned basis over the bond term. The redemption premium, equal to the difference between the redemption value and the nominal value, is revalued based on the inflation ratio observed at each balance sheet date.

Deeply subordinated perpetual securities (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 manages its market risks resulting from fluctuations in interest rates and foreign exchange rates using derivatives and notably interest rate swaps, interest rate option contracts (caps and floors), currency forwards, currency swaps and currency options. These instruments are primarily used for hedging purposes.

The notional amounts of instruments are recorded in specific off-balance sheet accounts.

Interest-rate derivatives: income and expenses relating to the use of these instruments are recognized in the income statement to match income and expenses on the hedged transactions. Certain transactions satisfying the criteria laid down in the Veolia Environnement hedging policy are not recognized as hedges for accounting purposes.

These transactions are recognized as follows:

- unrealized losses, calculated for each instrument traded over-the-counter (OTC), are provided in full;
- unrealized gains on OTC instruments are recognized in income on the unwinding of the transaction only;
- unrealized gains and losses on instruments traded on organized markets are recognized directly in profit or loss.

Currency derivatives: firm currency financial instruments are valued by comparison with the closing exchange rate defined by the European Central Bank. The difference between the spot rate of the instrument and the closing rate is recognized in unrealized foreign exchange gains and losses and the difference between the forward rate and the spot rate of the instrument is recorded in a specific financial instruments account entitled “premium/discount”. This distinguishes the interest rate impact from the currency impact.

Currency derivatives hedge either an overall foreign exchange position or an identified structural foreign exchange position.

Valuation of provisions for contingencies and losses: these provisions are valued at the best estimate of the outflow of resources necessary to settle the obligation. When valuing a single obligation in the presence of several valuation assumptions concerning the outflow of resources necessary, the best estimate is the most probable assumption.

Valuation of provisions for incentive schemes:

Under the current agreement, the unit amount of incentive payments is based on the following performance criteria:

- the increase in Group EBITDA at constant exchange rates;
- the increase in Group net income from ordinary activities;
- the decrease in the rate of workplace accidents, consolidated at Veolia Group level;
- the increase in purchase expenditure, excluding taxes, recorded for the sheltered employment sector for the France scope.

Based on the observed growth rate and other criteria, the level of incentive payments is determined using a contractually defined chart. The total amount of incentive payments provided is equal to the individual amount determined above multiplied by the number of beneficiaries communicated by the Human Resources Department.

Valuation of provisions for bonuses: this provision is determined based on the amount of bonuses awarded in the previous year multiplied by an estimated percentage change and changes in employee numbers.

Concept of income from ordinary activities and exceptional items: items concerning the ordinary activities of the Company, even if exceptional in amount or frequency, are included in income from ordinary activities. Only those items that do not concern the ordinary activities of the Company are recognized in exceptional items.

Valuation of employee-related commitments: pursuant to Article L.123-13 of the French Commercial Code, Veolia Environnement has elected not to recognize a provision for retirement benefits and other employee commitments. This information is presented in off-balance sheet commitments in the notes to the financial statements.

NOTE 3 BALANCE SHEET ASSETS

3.1 Non-current assets

Movements in gross values

(in € thousands)	Opening balance	Mergers	Increase	Decrease	Closing balance	Note
Intangible assets[(a)]	458,168	193,079	6,498	448,640	209,105	3.1.1
Property, plant and equipment	663	28,064	17,955	1,630	45,052	3.1.1
Long-term loans and investments						
Equity investments	14,792,350	1,890	16,744	598,120	14,212,864	3.1.2
Loans to equity investments	10,833,986		2,735,410	2,477,634	11,091,762	3.1.3
Long-term portfolio investments[(b)]			5,000		5,000	
Other long-term investments securities	677				677	
Loans	470,187		454,039	490,418	433,808	3.1.4
Other long-term loans and investments	316,138	1,242	448,131	198	765,313	3.1.5
TOTAL	**26,872,169**	**224,275**	**3,683,777**	**4,016,640**	**26,763,581**	

(a) Reclassification of the technical merger loss from purchased goodwill to "Other long-term loans and investments".
(b) 1.43% subscription to the RAISE Investissement share capital increase (see Note 7.9 below).

Movements in depreciation, amortization and non-current asset provisions

(in € thousands)	Opening balance	Mergers	Increase Charge	Decrease, removals and write-backs	Closing balance	Note
Amortization of intangible assets	2,116	144,140	11,362	44	157,574	3.1.1
Amortization of property, plant and equipment	400	16,973	2,738	1,465	18,646	3.1.1
Provisions for impairment of property, plant and equipment	215			215	0	3.1.1
Provisions for impairment of intangible assets		360	200	360	200	3.1.1
Provisions for impairment of equity investments	3,803,116		866	489,851	3,314,131	3.1.6
Provisions for impairment of loans to equity investments	92,299		37,368	20,472	109,195	
Provisions for impairment of treasury shares	116,856		50,745		167,601	3.1.6
TOTAL	**4,015,002**	**161,473**	**103,279**	**512,407**	**3,767,347**	
Nature of charges and write-backs:						
Operating			14,040	2,084		
Financial			88,979	510,323		
Exceptional			260			
TOTAL			**103,279**	**512,407**		

3.1.1 Intangible assets and PP&E

Intangible assets have a gross value of €209,105 thousand and a net value of €51,331 thousand. The merger of Veolia Services Support France (V2S) and Veolia Environnement Technologies France (VE TECH) contributed assets with a gross value of €193,079 thousand and a net value of €48,939 thousand.

The decrease in this heading is primarily due to the reclassification of the technical merger loss of €448,088 thousand (recognized on the merger by absorption of Veolia Services Énergétiques in 2014) from intangible assets to "Other long-term loans and investments".

Intangible assets have a gross value of €45,052 thousand and a net value of €26,406 thousand. The merger of V2S and VE TECH contributed assets with a gross value of €28,064 thousand and a net value of €11,091 thousand.

3.1.2 Long-term loans and investments: Equity investments

Equity investments have a gross value of €14,213 million as of December 31, 2016. Impairments total €3,314 million, reducing the net value to €10,899 million.

3.1.3 Long-term loans and investments: Loans to equity investments

Loans to equity investments have a gross value of €11,091.8 million as of December 31, 2016.

Movements recorded in 2016 break down as follows:

(in € thousands)	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
VE Finance [1]	4,960,757	3,132,921		(169,611)	7,924,067
VE UK	1,410,042		347,813	(180,914)	881,315
Veolia Propreté	842,252		51,083	(1,099)	790,070
Veolia Énergie International	848,825		443,258	(9,679)	395,888
Veolia Eau (Compagnie Générale des Eaux)	1,192,221		804,296	(47,349)	340,576
Veolia Water Technologies	281,828		68,842	1,126	214,112
VES Australia PTY	114,736	20,314		2,703	137,753
Artelia Ambiente	106,758		25		106,733
SARP Industries	91,901		2,011	(615)	89,275
Veolia Water Japan K.K	43,569	126		2,703	46,398
Veolia Water Middle East North Africa	40,282				40,282
SARP SA	27,096				27,096
Campus Veolia Est	21,066				21,066
VES China Ltd	11,795		3	(445)	11,347
Veolia Water Resource Development Co Ltd	43,432	66	30,162	(2,532)	10,804
Ecospace Ltd	10,244	1		327	10,572
COVES (HK) Limited	5,262	3,253		(171)	8,344
Veolia Environnement Recherche et Innovation	8,037		2		8,035
Association Vecteur Pyrénées	6,209		367		5,842
Campus Veolia Sud-Ouest	4,923	3			4,926
Veolia Water Middle East	3,980			130	4,110
Bartin Recycling Groupe	3,656		1		3,655
Société des Eaux Régionalisée	4,706		1,076		3,630
VE Ingénierie Conseils	2,855				2,855
Société de logistique et de préparation pour la biomasse	1,505		5		1,500
Sade CGTH	924			30	954
Veolia Water	103,855		103,661		194
Veolia China holding Ltd	92,277		77,997	(14,133)	147
Bartin Recycling SAS	44,207		44,097		110
Veolia Industries Global Solutions	37,936		37,870		66
Veolia Water Asia Pacific Limited	4,832		3,944	(874)	14
Veolia ES Singapore Pte Ltd	8,180	2	7,295	(878)	9
Campus Veolia	86	5	86		5
Veolia Water South China Ltd	153		152		1
Veolia ES Industrial Outsourcing Ltd	47		46		1

(in € thousands)	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Veolia Africa	5		4		1
VEIT (Veolia Environnement Informations et Technologies)	105,590		105,590		0
Transdev Group	345,380		345,380		0
SC VWS & Technologies Romania S.r.l	361		361		0
Campus Veolia Méditerranée	2,029		2,029		0
Other	187		178		9
TOTAL	**10,833,986**	**3,156,691**	**2,477,634**	**(421,281)**	**11,091,762**

(1) *From December 2015, a multi-currency revolving credit line was set-up between Veolia Environnement and Veolia Environnement Finance to replace current account-based financing.*

This heading includes impairment of €109.2 million, including €37.4 million recorded in 2016.

3.1.4 Long-term loans and investments: Loans

Loans to equity investments total €433.8 million as of December 31, 2016.

Loans mainly include term accounts not classified as cash equivalents of €407.1 million (including accrued interest) and a guarantee deposit in respect of subsidiary financing arrangements of ILS100 million, or €25.7 million euro-equivalent (including accrued interest) following the divestiture of activities in Israel.

3.1.5 Other long-term loans and investments

Other long-term loans and investments have a gross value of €765.3 million and a net value of €597.7 million as of December 31, 2016 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 2016 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 €132.2 million.

3.1.6 Long-term loans and investments: Financial impairment provisions

The provision for impairment of equity investments totals €3,314 million as of December 31, 2016.

The provision for impairment of treasury shares totals €167.6 million as of December 31, 2016.

3.2 Trade receivables

Trade receivables have a gross value of €125.6 million and a net value of €114.2 million as of December 31, 2016 and primarily concern services billed to Veolia Environnement Group subsidiaries.

3.3 Other receivables

Other receivables total €1,596.9 million and mainly comprise the following balances:

(in € thousands)	As of December 31, 2016	As of December 31, 2015
Current accounts with Group subsidiaries	**1,367,020**	**1,418,539**
Other receivables	**184,792**	**225,898**
• Income tax receivables	163,116	187,989
• Financial receivables on derivatives	16,200	19,246
• Receivables on non-current asset disposals	13	4,386
• Accrued interest on current accounts	5,463	14,277

3.4 Marketable securities

3.4.1 Treasury shares

Veolia Environnement holds 15,064,835 treasury shares purchased under share purchase programs, including 8,389,059 shares recorded in "Other long-term loans and investments" (see Note 3.1.5).

The remaining 6,675,776 shares recorded in marketable securities have a gross carrying amount of €145.6 million and a net carrying amount of €102 million at the end of 2016. These shares are earmarked in particular for share option programs and other allocations to Group employees, with 1,360,000 shares allocated to the liquidity contract.

The impairment provision of €43.7 million represents the difference between the purchase cost of the Veolia Environnement shares and the average stock market price during the twenty-one trading days preceding December 31, 2016. A charge to provisions of €3.2 million was recorded in fiscal year 2016.

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 2016. As of December 31, 2016, 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 2016, 9,271,117 shares were purchased for a total amount of €186.3 million and a weighted average share price of €20.09 and 7,911,117 shares were sold for a total amount of €163 million and a weighted average share price of €20.60. A capital gain of €0.5 million was generated under this contract.

3.4.2 Other securities

Other securities total €3,812.6 million as of December 31, 2016 and comprise SICAV mutual funds.

3.4.3 Treasury instruments

Treasury instruments total €225.4 million as of December 31, 2016 and break down as follows:

- interest-rate derivative spreads: €3.8 million;
- currency derivatives: €212 million;
- premium/discount: €9.6 million.

3.5 Cash at bank and in hand

Liquid assets total €427 million as of December 31, 2016 and include term accounts classified as cash equivalents and related accrued interest in the amount of €331.8 million.

3.6 Prepayments

Prepayments total €42 million and include balancing cash adjustments paid on interest rate swaps of €29.6 million.

3.7 Accrued income and deferred charges

3.7.1 Deferred charges: bond issue costs

Bond issue costs are spread on a straight-line basis over the bond term. Net deferred charges as of December 31, 2016 total €72.7 million.

Other deferred charges total €7.4 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 €166.3 million and mainly comprise the redemption premium of €118.8 million recognized on the bond exchange performed in 2015, net of the amortization charge for 2016.

Bonds redemption premiums are amortized on a straight-line basis over the bond term.

3.8 Foreign exchange gains and losses

Foreign exchange gains and losses result from hedges of matching foreign exchange structural positions and overall foreign exchange positions by currency.

(in € thousands)	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Note
Foreign exchange hedges of structural foreign exchange positions	203,432	51,102	3.8.1
Overall foreign exchange position	258,644	91,854	3.8.2
TOTAL	462,076	142,956	

The following tables present the foreign exchange positions for the main currencies determined at the balance sheet date.

3.8.1 Unrealized foreign exchange gains and losses on matching foreign exchange positions

Unrealized foreign exchange gains and losses detailed below include not only unrealized gains and losses, but also realized gains and losses neutralized by the application of matching foreign exchange position rules.

Account heading concerned by the foreign exchange gain/loss *(in € thousands)*	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange loss	Provisions for contingencies
Loans	5,660	13,569		
Borrowings	28,212			
Currency derivatives	1,348	9,427		
Total CZK	35,220	22,996	12,224	12,224
Borrowings	231,545			
Currency derivatives	12,671	53,008		
Total USD *	244,216	53,008	191,208	
GRAND TOTAL	279,436	76,004	203,432	12,224

* *A provision was not booked in respect of the US dollar net unrealized foreign exchange loss on matching positions of USD 191 million, as it corresponds to a hedge of securities.*

Account heading concerned by the foreign exchange gain/loss *(in € thousands)*	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange gain
Borrowings	8,948	47,190	
Currency derivatives	54,874	16,632	
Total PLN	63,822	63,822	
Borrowings	54,212	192,157	
Current accounts	46,641		
Currency derivatives	389,525	298,377	
Total GBP	490,378	490,534	(156)
Loans	36,225	55,552	
Borrowings	85,304	95,863	
Current accounts	5	21,636	
Currency derivatives	1,927	1,356	
Total USD	123,461	174,407	(50,946)
GRAND TOTAL	677,661	728,763	(51,102)

3.8.2 Unrealized foreign exchange gains and losses on overall foreign exchange positions excluding matching foreign exchange positions

Account heading concerned by the foreign exchange gain/loss *(in € thousands)*	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange loss	Total net unrealized foreign exchange gain
Loans		2,485		
Currency derivatives	2,103			
Operating		44		
Total AED	**2,103**	**2,529**		**426**
Currency derivatives	170			
Operating	278			
Total ARS	**448**		**448**	
Loans	19,909	9,964		
Currency derivatives		9,332		
Operating	57	26		
Total AUD	**19,966**	**19,322**	**670**	**26**
Currency derivatives		2		
Total BGN		**2**		**2**
Currency derivatives		20		
Operating		6		
Total BHD		**26**		**26**
Operating		2		
Total BRL		**2**		**2**
Loans		823		
Currency derivatives	870			
Operating	14	13		
Total CAD	**884**	**836**	**61**	**13**
Loans		181		
Currency derivatives		285		
Total CHF		**466**		**466**
Currency derivatives	89			
Total CLP	**89**		**89**	
Loans	6,364	3,333		
Borrowings	7,894			
Currency derivatives	5,861	70		
Operating	5	5		
Total CNY	**20,124**	**3,408**	**16,721**	**5**
Loans		50		
Currency derivatives	1,678	8		
Operating		2		
Total CZK	**1,678**	**60**	**1,620**	**2**
Currency derivatives		944		
Total DKK		**944**		**944**
Loans	236,307			
Bank deposits	19			
Borrowings		51,992		
Currency derivatives	19,403			
Operating	130			
Total GBP	**255,859**	**51,992**	**203,867**	
Loans		52,266		
Currency derivatives	9,871	2		
Operating		60		
Total HKD	**9,871**	**52,328**		**42,457**

Account heading concerned by the foreign exchange gain/loss *(in € thousands)*	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange loss	Total net unrealized foreign exchange gain
Loans	5,141	1,136		
Currency derivatives	289			
Operating		1		
Total HUF	**5,430**	**1,137**	**4,294**	**1**
Loans		1,403		
Currency derivatives	219			
Operating	5	2		
Total ILS	**224**	**1,405**	**5**	**1,186**
Currency derivatives		2		
Operating	3			
Total INR	**3**	**2**	**3**	**2**
Loans	15,081	913		
Currency derivatives	62	15,852		
Operating	5			
Total JPY	**15,148**	**16,765**	**5**	**1,622**
Loans		972		
Currency derivatives	86			
Operating	7	1		
Total KRW	**93**	**973**	**7**	**887**
Currency derivatives	39	445		
Total KWD	**39**	**445**		**406**
Loans		15		
Total LVL		**15**		**15**
Currency derivatives	24			
Total MUR	**24**		**24**	
Loans	175			
Currency derivatives	82			
Operating	12			
Total MXN	**269**		**269**	
Currency derivatives		1		
Total MYR		**1**		**1**
Loans		156		
Currency derivatives	42	34		
Total NOK	**42**	**190**		**148**
Currency derivatives	125			
Operating		56		
Total NZD	**125**	**56**	**125**	**56**
Currency derivatives	5			
Operating		2		
Total OMR	**5**	**2**	**5**	**2**
Loans	17,423	759		
Currency derivatives	7,736	1		
Operating		12		
Total PLN	**25,159**	**772**	**24,399**	**12**
Currency derivatives	12			
Total QAR	**12**		**12**	
Loans	890			
Currency derivatives		1,051		
Operating	5			
Total RON	**895**	**1,051**	**5**	**161**

Account heading concerned by the foreign exchange gain/loss *(in € thousands)*	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange loss	Total net unrealized foreign exchange gain
Currency derivatives	205			
Operating	6	23		
Total RUB	**211**	**23**	**211**	**23**
Loans		159		
Currency derivatives	33			
Operating	1	14		
Total SAR	**34**	**173**	**1**	**140**
Loans	4,220			
Currency derivatives	1,641	121		
Operating		1		
Total SEK	**5,861**	**122**	**5,740**	**1**
Loans		228		
Currency derivatives	1	65		
Total SGD	**1**	**293**		**292**
Loans		47,207		
Bank deposits	1,075			
Currency derivatives	2,627	1,088		
Borrowings	3,236			
Operating	63	311		
Total USD	**7,001**	**48,606**	**63**	**41,668**
Loans	63	1,261		
Currency derivatives	335			
Total ZAR	**398**	**1,261**		**863**
GRAND TOTAL			**258,644**	**91,854**

Contingency provisions for foreign exchange risk, concerning the overall foreign exchange position in the amount of €367.4 million, are determined based on the foreign exchange position of each currency and year of maturity.

NOTE 4 BALANCE SHEET EQUITY AND LIABILITIES

4.1 Share capital and reserves

(in € thousands)	Opening balance	Increase	Decrease	Closing balance
Share capital	**2,816,824**	**-**	**-**	**2,816,824**
Additional paid-in capital	2,846,623	-	4,440	2,842 183
Additional paid-in capital (2003 share capital reduction)	3,443,099	-	-	3,443,099
Additional paid-in capital in respect of contributions	3,971	-	-	3,971
Additional paid-in capital in respect of bonds convertible into shares	681,881	-	-	681,881
Additional paid-in capital in respect of share subscription warrants	2,725	-	-	2,725
Reserve required by law	273,628	8,054	-	281,682
Special long-term capital gains reserve	-	-	-	-
Frozen reserves	-	-	-	-
Other reserves	-	-	-	-
Retained earnings	61,262		61,262	-
Prior year net income/(loss)	343,600	-	343,600	-
Tax-driven provisions	2,486	1,422	-	3,908
TOTAL BEFORE NET INCOME FOR THE YEAR	**10,476,099**	**9,476**	**409,302**	**10,076,273**
Net income for the year	-	513,840	-	513,840
TOTAL AFTER NET INCOME FOR THE YEAR	**10,476,099**	**523,316**	**409,302**	**10,590,113**

The share capital comprises 563,364,823 shares with a par value of €5 each, unchanged on December 31, 2015.

€8 million was charged to the "Reserve required by law" to bring it to the minimum amount of 10% of the share capital.

The dividend distribution of €401.2 million was financed by 2015 net income, after a charge to the legal reserve of €335.5 million and by a deduction from issue premiums of €4.4 million and retained earnings of prior years of €61.2 million.

4.2 Provisions for contingencies and losses

Movements in provisions for contingencies and losses

(in € thousands)	Opening balance	Mergers	Charge	Write-backs used	Write-backs not used	Closing balance
Provision for foreign exchange risk	263,069	36	379,594	263,105		379,594
Provision for other contingencies	79,716	5,244	28,859	21,248	36,825	55,746
Provision for losses	40,316	2,757	165	3,386	21,518	18,334
TOTAL	383,101	8,037	408,618	287,739	58,343	453,674
Nature of charges and write-backs:						
Operating			4,079	11,038	57,851	
Financial			403,004	263,105	141	
Exceptional			1,535	13,596	351	
TOTAL			408,618	287,739	58,343	

4.3 Bond issues

(in € thousands)	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Other bond issues	7,510,200	1,933,892	382,380	(114,648)	8,947,064
Accrued interest on other bond issues	177,781	168,321	177,781		168,321
TOTAL	7,687,981	2,102,213	560,161	(114,648)	9,115,385

The €1,933.9 million increase breaks down as follows:

- a new €700 million bond issue performed on March 15, 2016 and maturing March 2021;
- a fixed-rate Panda bond issue of 1,000 million Chinese renminbi (€133.9 million), performed on September 1, 2016 and maturing September 2019;
- a new €500 million fixed-rate bond issue performed on October 4, 2016 and maturing January 2029;
- a new €600 million fixed-rate bond issue performed on October 4, 2016 and maturing October 2023.

The €382.4 million decrease is due to the maturity on February 12, 2016 of the bond line paying a coupon of 4%.

4.4 Bank and other borrowings

Bank and other borrowings total €8,992.4 million and break down as follows:

(in € thousands)	As of December 31, 2016	As of December 31, 2015
Current accounts with Group subsidiaries	4,359,462	4,138,955
Treasury Note outstandings	2,764,055	2,943,293
Deeply subordinated perpetual securities *(TSSDI)*	1,514,836	1,595,155
Tax group current accounts	253,054	174,659
Bank accounts in overdraft and short-term credit facilities	101,007	35,049
TOTAL	8,992,414	8,887,110

4.5 Operating payables

4.5.1 Tax and employee – related liabilities: €79.9 million

This heading includes:

- personnel costs - accrued expenses: €33.6 million;
- social welfare organizations: €27 million;
- value added tax: €17.8 million;
- French State - accrued expenses: €1.5 million.

4.6 Miscellaneous liabilities

4.6.1 Treasury instruments – Liabilities: €254.4 million

This heading includes:

- interest-rate derivative spreads: €1 million;
- currency derivatives: €236.2 million;
- premium/discount: €17.2 million.

4.6.2 Deferred income: €180.5 million

Deferred income mainly concerns financial instruments:

- balancing payments on derivatives of €161 million;
- bond issue premiums of €16.8 million;
- deferred income relating to operating items of €2.7 million.

NOTE 5 RECEIVABLES AND DEBT MATURITY ANALYSIS

(in € thousands)	Amount	Falling due in one year	Falling due in more than one year
Non-current assets			
Loans to equity investments	11,091,762	34,199	11,057,563
Other long-term investments securities	677		677
Loans	433,808	162,964	270,844
Other long-term loans and investments	765,313		765,313
Current assets			
Payments on account – inventories	711	711	
Trade receivables and related accounts	125,602	125,602	
Group and associates	1,367 020	1,367 020	
Other receivables	229,863	69,542	160,321
Marketable securities	4,183 648	4,178 870	4,778
Cash at bank and in hand	427,017	427,017	
Prepayments	42,004	10,832	31,172
TOTAL RECEIVABLES	**18,667,425**	**6,376,758**	**12,290,667**

(in € thousands)	Amount	Falling due in one year	Falling due in one to five years	Falling due after five years
Liabilities				
Bond issues	9,115,385	1,442,904	2,839,249	4,833,232
Deeply subordinated perpetual securities *(TSSDI)*	1,514,836	47,655	1,467,181	
Other borrowings	2,764,055	2,764,055		
Group and associates	4,612,516	4,612,516		
Bank overdrafts	101,007	101,007		
Other	720,238	562,004	114,968	43,266
TOTAL LIABILITIES	18,828,037	9,530,141	4,421,398	4,876,498

NOTE 6 INCOME STATEMENT

6.1 Net income from ordinary activities

Net income from ordinary activities before tax is €560 million.

6.1.1 Operating revenue

(in € thousands)	December 31, 2016	December 31, 2015	Note
Sales of own goods and services	427,626	472,764	Note 1
Own production capitalized	5,233	5,095	
Operating subsidies	89	173	
Write-back of provisions, depreciation and amortization and expense reclassifications	84,901	7,221	Note 2
Other revenue	81,943	81,004	Note 3
TOTAL	599,792	566,257	

Note 1: the decrease in sales of services is tied to amounts billed to Group subsidiaries.

Note 2: reversals of provisions for contingencies and losses total €69 million, reversals of impairment provisions on trade receivables total €6.5 million and expense reclassifications total €8.8 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 € thousands)	December 31, 2016	December 31, 2015	Note
Other purchases and external charges	302,437	251,426	Note 1
Duties and taxes other than income tax	16,711	16,881	
Personnel costs (wages, salaries and social security contributions)	195,904	191,587	
Depreciation, amortization and charges to provisions	35,511	65,028	
Other expenses	108,716	110,683	Note 2
TOTAL	659,279	635,605	

Note 1: the increase in "Other purchases and external charges" is mainly attributable to real estate rental costs for €22.2 million, professional fees for €12.5 million and bank commission for €5.8 million.

Note 2: other expenses include indemnities paid in respect of repair and maintenance work of €97.7 million in 2016 and €104.5 million in 2015.

6.1.3 Financial income and expenses

(in € thousands)	December 31, 2016	December 31, 2015	Note
Expenses on long-term borrowings	**(419,875)**	**(462,048)**	
Income from other securities and long-term receivables	**8,929**	**9,183**	
Foreign exchange gains and losses[(1)]	**322,893**	**(134,976)**	
Other financial income and expenses	21,133	105,378	
Amortization and charges to provisions for financial items	(516,564)	(323,603)	Note 1
Investment income	620,649	737,174	
Net gain/loss on sales of marketable securities	1,448	2,512	
Write-back of provisions for financial items and expense reclassifications	580,765	364,934	Note 2
Other financial income and expenses	**707,431**	**886,395**	
NET FINANCIAL INCOME	619,378	298,555	

(1) *Foreign exchange gains and losses mainly concern the GBP in 2016.*

Note 1: financial charges in 2016 break down as follows:

- a charge to provisions for foreign exchange losses of €379.6 million in 2016, compared with €263.1 million in 2015;
- a charge to provisions for treasury shares (financial assets and marketable securities) of €53.9 million in 2016, compared with a reversal of €68.6 million in 2015;
- a charge to provisions for impairment of inter-company current accounts and loans of €37.7 million in 2016, compared with €11.7 million in 2015;
- amortization of redemption premiums of €19.5 million in 2016, compared with €13.8 million in 2015.

Note 2: provision write-backs in 2016 primarily break down as follows:

- a write-back of provisions for equity investments of €284.8 million (including €283.4 million in respect of Transdev Group) compared with a net charge to provisions of €10 million in 2015;
- a write-back of provisions for foreign exchange losses of €263.1 million in 2016, compared with €216.3 million in 2015;
- a write-back of provisions for impairment of inter-company current accounts and loans of €32.7 million in 2016, compared with €55 million in 2015.

6.2 Exceptional items

Exceptional items, representing a net expense of €149.6 million, mainly consist of the following items:

(in € millions)	December 31, 2016
Net write-back of provisions for tax receivables and litigation	9.5
Write-back of provisions for restructuring costs	2.9
Net capital loss on disposals of equity investments [(1)]	(166.6)
Net exceptional income from non-capital transactions	10.8
Other	(6.2)
TOTAL	(149.6)

(1) *Veolia Environnement sold 20% of the Transdev Group share capital to Caisse des dépôts et consignations (CDC), resulting in the recognition of a capital loss of €168.4 million.*

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 2016 is reflected in the Veolia Environnement financial statements by a tax saving in respect of the subsidiaries of €99.5 million.

A charge of €8.2 million after offset of tax credits, corresponding to the 3% contribution on dividends paid, was also recorded.

The CICE Competiveness and Employment tax credit received by Veolia Environnement in respect of 2016 of €279 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 €513.8 million for 2016.

NOTE 7 OTHER INFORMATION

7.1 Off-balance sheet commitments

Commitments given by Veolia Environnement total €2,450.1 million as of December 2016, (including counter-guarantees) and primarily consist of financing and performance guarantees given on behalf of subsidiaries:

(in € thousands)	As of December 31, 2016	As of December 31, 2015	Note
Commitments given			
Discounted notes not yet matured			
Endorsements and guarantees [1]	2,386,088	2,909,926	Note 1
Equipment finance lease commitments			
Real estate finance lease commitments			
Pension obligations and related benefits	63,980	55,404	Note 2
TOTAL	2,450,068	2,965,330	Note 3
Commitments received			
Endorsements and guarantees	112,095	191,309	

(1) Of which commitments given in respect of related companies: €41.2 million.

Note 1 - Main endorsements and guarantees

The €524 million decrease in commitments given breaks down as follows:

- the lifting of the Novartis guarantee tied to the performance of Valorec bonds for €554 million;
- the lifting of the guarantee tied to the VEIS-Novartis outsourcing contract for €180 million;
- the termination of the Aubervilliers leasehold guarantee for €65 million;

Offset by:

- the increase in future rent payments in the total amount of €202 million (including the Aubervilliers lease for €98 million).

Veolia Environnement is required to grant the following types of endorsement and guarantee:

- **Operational or operating guarantees of €1 billion:**

  These are commitments not relating to the financing of operations, required in respect of contracts and markets and generally in respect of the operations and activities of Group companies (bid bonds accompanying tender offers, completion or performance bonds given on the signature of contracts or concession arrangements and counter-guarantees granted by Veolia Environnement to insurance companies that issue bonds on behalf of its subsidiaries). This type of guarantee also includes letters of credit delivered by financial institutions to Group creditors, customers and suppliers for their business requirements or to guarantee various commitments such as the payment of leases or reinsurance obligations.

- **Financial guarantees of €1.5 billion:**

  These primarily relate to guarantees given to financial institutions in connection with the borrowings of subsidiaries, including project financing, and Veolia Environnement's joint and several commitments regarding divestments by subsidiaries or direct Veolia Environnement 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 €118.6 million;
- warranties given in connection with the divestiture of American and European wind energy activities in the amount of €39.7 million;
- warranties given to EDF in connection with the Dalkia redistribution transaction, consisting of specific warranties capped at €45 million and reducing by €10 million each year from April 2, 2015. Warranties are currently estimated at €25 million, but will reduce to €15 million from April 2, 2017;
- 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 € thousands)	
Pension obligations pursuant to Article 14 of the Collective Agreement	38,361
Collective insurance contract in favor of Group executives (active and retired)	20,027
Insurance company contract in favor of Executive Committee members (retired)	5,592
TOTAL*	**63,980**

* *Of which obligations for Executive Committee members as of December 31, 2016: €3.1 million*

Note 3 -Other commitments given

In addition to commitments given of €2,450.1 million, Veolia Environnement also granted commitments of an unlimited amount in respect of:

- completion or performance bonds;
- a sludge incineration plant construction contract and waste processing contracts in Hong Kong in the Water and Waste businesses.

These commitments are limited to the duration of the related contracts and were approved in advance by the Board of Directors of Veolia Environnement.

It is recalled that, in connection with the Dalkia redistribution, Veolia Environnement granted EDF in 2014 a call option over all Veolia Énergie International (formerly DKI) securities, exercisable in the event of a direct or indirect takeover of Veolia Énergie International by an EDF competitor.

This call option was granted for a period of five years commencing July 25, 2014, that is, until July 25, 2019.

7.2 Specific contractual commitments

The financial management of maintenance and repair costs for installations provided by delegating authorities, for certain French subsidiaries, was mutualized and centralized until December 31, 2003 within Veolia Environnement and, partially, since January 1, 2004 within Veolia Eau – Compagnie Générale des Eaux.

Therefore, Veolia Environnement, as an active partner of certain water and heating subsidiaries of Veolia Eau – Compagnie Générale des Eaux, has undertaken to repay all maintenance and repair costs resulting from contractual obligations to local authorities under public service delegation contracts. In return, the subsidiaries pay an indemnity in full and final settlement to Veolia Environnement, the amount of which is approved annually by the Supervisory Board of each subsidiary benefiting from this guarantee.

7.3 Derivative financial instruments and counterparty risk

Veolia Environnement is exposed to the following financial risks in the course of its business:

Market risk

- interest rate risk (interest rate hedges, cash flow hedges).

  The financing structure of Veolia Environnement exposes it naturally to the risk of interest rate fluctuations. As such, floating-rate debt impacts future financial results in line with changes in interest rates. Veolia Environnement manages a fixed/floating rate position in each currency in order to limit the impact of interest rate fluctuations on its net income and to optimize the cost of debt. For this purpose, it uses interest rate swap and swaption instruments;

- foreign exchange risk (hedges of balance sheet foreign exchange exposure and overall foreign exchange risk exposure).

  Foreign exchange risk is primarily managed using foreign-currency denominated financial assets and liabilities including foreign-currency denominated loans/borrowings and related hedges (e.g. currency swaps). With many offices worldwide, Veolia Environnement organizes financing in local currencies. In the case of inter-company financing, these credit lines can generate foreign exchange risk. To limit the impact of this risk, Veolia Environnement has developed a policy which seeks to back foreign-currency financing and foreign currency derivatives with inter-company receivables denominated in the same currency.

Equity risk

As of December 31, 2016, Veolia Environnement held 15,064,835 treasury shares, of which 8,389,059 were allocated to external growth operations, 6,675,776 were acquired for allocation to employees under employee savings plans and 1,360,000 were allocated to the liquidity contract. 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, 2016, the main derivative products held primarily comprised:

- interest rate swaps;
- trading swaps;
- cross-currency swaps;
- forward purchases of currency;
- forward sales of currency;
- currency options.

The following table presents the net carrying amount of derivatives at the balance sheet date:

(in € thousands)	**Assets**	**Liabilities**
Accrued interest on swaps	3,779	1,044
Interest rate option premiums		
Stock option premiums		
Currency derivatives	212,040	236,186
Equity derivatives		
Premium/discount *	9,606	17,156
Prepayments	30,675	
Deferred income		160,903
TOTAL	256,100	415,289

* *The premium/discount represents the difference between the spot rate and the forward rate of the instruments. It is amortized over the term of the financial instrument.*

The fair value of derivatives at the balance sheet date is presented below:

(in € thousands)	**Assets**	**Liabilities**
Interest rate derivatives		
Hedging derivatives	16,865	28,054
Derivatives not qualifying for hedge accounting (trading)		
Foreign currency derivatives		
Hedging derivatives	129,267	151,572
Derivatives not qualifying for hedge accounting (trading)		
TOTAL	146,132	179,626

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 € thousands)		Foreign currency amount	€ equivalent
Swaps hedging debt			
Fixed-rate payer/floating-rate receiver swaps	EUR	1,354,119	1,354,119
Fixed-rate payer/floating-rate receiver swaps	GBP	100,000	116,795
Fixed-rate payer/floating-rate receiver swaps	USD	200,000	189,735
Floating-rate payer/fixed-rate receiver swaps	EUR	2,557,632	2,557,632
Floating-rate payer/fixed-rate receiver swaps	GBP	100,000	116,795
TOTAL			4,335,076
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 in the following table:

(in € thousands)	Purchases	Sales
Currency hedging instruments:		
Cross-currency swaps:		
BRL	37,604	37,604
EUR	123,201	309,649
CNY	85,597	85,597
CZK	0	186,448
TOTAL	246,402	619,298
Currency forwards:		
AED	9,907	101,418
ARS	46,684	33,286
AUD	60,489	333,636
BGN	32	14,871
BHD	15,501	33,639
BND	41	41
BRL	73,936	73,936
CAD	82,852	141,558
CHF	45,672	45,410
CLP	30,849	35,163
CNY	92,541	274,357
COP	3,434	3,434
CZK	85,216	196,235
DKK	131,543	102,836
EUR	6,516,799	2,614,729
GBP	1,003,318	1,662,917
HKD	133,950	1,034,773
HUF	34,190	157,149
ILS	558	26,863
INR	0	233
JPY	28,391	204,337
KRW	95,757	86,562
KWD	9,075	8,058
MUR	0	708
MXN	26,624	44,435
MYR	137	137
NOK	17,862	14,227
NZD	4,921	180

(in € thousands)	Purchases	Sales
OMR	0	862
PEN	3,831	3,831
PHP	14,286	14,286
PLN	225,265	1,031,179
QAR	8,966	11,641
RON	23,114	148,374
RUB	3,419	3,343
SAR	148	5,857
SEK	115,631	179,397
SGD	22,558	41,514
USD	1,004,492	1,316,172
VND	833	833
ZAR	67	18,873
TOTAL	9,972,888	10,021,289

7.4 Average workforce

	2016 Salaried employees	2015 Salaried employees
Executives	944	972
Supervisors and technicians	28	25
Administrative employees	47	-
Workers	-	-
TOTAL	1,019	997

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) in 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

Compensation granted to members of *(in euros)*	Amount
Management bodies	3,285,266

The above amount only includes compensation borne by the Company.

Compensation paid by other entities is, therefore, excluded.

7.6 Deferred tax

Deferred tax liabilities *(in € thousands)*	Amount
Tax-driven provisions	
Accelerated depreciation	3,908
Provisions for price increases	
Provisions for exchange rate fluctuations	
Other	
Investment subsidies	
Income temporarily non-taxable	
Income deferred for accounting but not tax purposes	
Unrealized foreign exchange losses	462,076
TOTAL	465,984

Deferred tax assets *(in € thousands)*	**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	447,845
Other	
Taxed income not recognized	161,689
Difference between the NCA/tax value of treasury shares	72,817
Amortization of option premiums	
Unrealized foreign exchange gains	142,956
TOTAL	825,307
Tax losses carried forward	3,578,619
Long-term capital losses	166,600

If the Company were taxed separately, the impact of these timing differences on the financial statements would generate a theoretical net tax receivable of €1,355.8 million *(tax rate hypothesis for the calculation of tax receivables: 34.43%).*

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 Group annual financial report.

7.8 Share-based compensation

Veolia Environnement has implemented several standard fixed share purchase and subscription option plans, as well as a variable plan for management.

At the end of 2016, the only current option plan was as follows:

	No.8
	2010
Grant date	09/28/2010
Number of options granted	2,462,800
Number of options not exercised	0 *
Plan term	8 years
Vesting conditions	4 years service plus performance conditions
Vesting method	After 4 years
Strike price *(in euros)*	22.50

* *Due to failure to achieve performance criteria, validated by the Board of Directors' meeting of March 14, 2013. In the event of a public offer for the Company's shares, 2,127,400 options would become available for exercise.*

Management incentive plan

In October 2014, the Group introduced a long-term incentive plan, the "Management Incentive Plan" (MIP), for the Group's top executives (including the Chief Executive Officer and Executive Committee members).

This plan is based on a joint investment approach with a personal investment by the beneficiary in the Company's shares, accompanied by the grant, subject to performance conditions, of an "additional" share bonus financed by the Group.

The share bonus, granted in three tranches, is tied to an increase in the share price and the achievement of financial performance criteria relating to the publication of the Group's 2015, 2016 and 2017 annual accounts. The three tranches do not vest until expiry of the plan in April 2018, subject to the confirmation at this date of the presence of the relevant beneficiaries and the retention by them of the shares initially invested.

As of December 31, 2016, a total of 410,858 shares was invested in this plan.

A write-back of the provision for the MIP was recorded in operating income in the amount of €19.9 million in 2016.

7.9 Related party transactions

Relations with other related parties break down as follows:

Relations with Caisse des dépôts et consignations (4.62% shareholding as of December 31, 2016)

The Caisse des dépôts et consignations is considered a related party, as a legal entity director sitting on the Board of Directors of Veolia Environnement.

On December 21, 2016, Veolia Environnement and Caisse des dépôts et consignations finalized an agreement entered into on July 29, 2016 concerning Veolia Environnement's withdrawal from the transportation business and the share capital of Transdev Group. The agreements entered into pursuant to this agreement are set out in Note 1.1 to the Company financial statements.

Relations with Soficot

Mr. Serge Michel, the Chairman of this company, was a director of Veolia Environnement until April 21, 2016, the date of expiry of his term of office. At the end of this General Shareholders' Meeting, he was appointed a non-voting member *(censeur)* for a period of four years expiring at the end of the 2020 General Shareholders' Meeting.

In 2016, Soficot provided services to Veolia Environnement. The service agreement terminated at its expiry date of December 31, 2016 and was not renewed.

The services provided by Soficot to Veolia Environnement in 2016 are described in the Special Auditors' Report on Regulated Agreements.

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% and the residual balance will be settled when called by the Chairman of this company within a maximum of 5 years.

The duties of chairman of Raise Investissement SAS are performed by Raise Conseil SAS.

Mrs. Clara Gaymard, a director of Veolia Environnement, is considered a related party due to her position as Chief Executive Officer of Raise Conseil SAS.

7.10 Subsequent events

None.

7.11 Subsidiaries and equity investments[(1)]

Investments acquired in 2016, within the meaning of Article L. 233-7 of the French Commercial Code (crossing of investment thresholds laid down by law) concern:

- Vestalia for 14%;
- LIVELIHOODS (L3F) for 13.89%.

Company	Number of shares held	Share capital	Shareholders' equity other than share capital*	% share capital held	Carrying amount of shares held		Loans and Advances granted by the Company *(gross)***	2015 revenue	*2016 revenue (provisional figures)*	2015 net income	*2016 net income (provisional figures)*	Dividends recorded in the last fiscal year	Year-end
					GROSS	NET							
Veolia Eau – Compagnie Générale des Eaux (1)	214,187,293	2,207,287	863,968	100.00%	8,300,000	5,316,473	14,562	2,386,266	2,221,301	144,626	306,533	141,364	Year ended December 31, 2016
Veolia Propreté (1)	8,967,700	143,473	1,236,368	100.00%	1,930,071	1,930,071	517,447	538,876	453,983	119,685	126,026	119,621	Year ended December 31, 2016
Veolia Énergie International (1)	87,970,331	1,760,127	289,096	99.96%	1,136,583	1,136,583	(37,491)	184,039	209,485	224,522	164,699	-	Year ended December 31, 2016
VE Finance (1)	100,003,700	1,000,037	(27,780)	100.00%	1,000,037	1,000,037	5,805,439	197,548	284,528	(20,257)	37,938	-	Year ended December 31, 2016
Veolia North America Inc.(2)	198	1	1,088	13.43%	693,526	693,526	(38,161)	28	35	195	194	-	Year ended December 31, 2016
Transdev Group	35,461,110	1,137,120	124,506	30.00%	582,611	330,000	0	141,512	80,203	107,893	47,803	10,000	Year ended December 31, 2016
Veolia Environnement Énergie et Valorisation (1)	13,703,700	137,037	22,170	100.00%	137,037	137,037	(22,941)	24,268	19,518	23,238	18,907	21,926	Year ended December 31, 2016
Proactiva Medio Ambiente S.A.	9,420	56,520	19,067	100.00%	270,219	270,219	15,068	30,783	29,615	11,491	8,208	10,342	Year ended December 31, 2016
Veolia Environnement Services-RE	4,099,999	41,000	25,405	100.00%	41,000	41,000	-	33,362	37,830	11,539	2,149	-	Year ended December 31, 2016
Codeve	3,000,000	3,000	22,054	100.00%	38,000	22,845	-	15,410	16,748	(103)	3,320	-	Year ended December 31, 2016
Campus Veolia Environnement	2,504,100	26,130	(31,283)	95.83%	59,497	0	1,049	30,249	25,387	(8,338)	(4,355)	-	Year ended December 31, 2016
Veolia Industries Global Solutions	1,033,334	15,500	2,780	100.00%	16,113	16,113	(3,211)	139,317	136,567	(241)	(3,411)	-	Year ended December 31, 2016
SAS LT 65 (figures as of 06/30/2014, 2015 and 2016 not received)	60,000	97	(2,188)	12.98%	300	0	-	NC	NC	NC	NC	-	Year ended December 31, 2016
VIGIE 3 AS	41,829	251	17,978	100.00%	266	266	4,899	-	-	3,035	4,066	8,178	Year ended December 31, 2016
Artelia Ambiente S.A.	10,000	50	(63,255)	100.00%	50	0	106,357	5,730	3,468	(102)	(2,389)	-	Year ended December 31, 2016

(1) *Currency reporting – in € thousands*

Company	Number of shares held	Share capital	Shareholders' equity other than share capital*	% share capital held	Carrying amount of shares held GROSS	Carrying amount of shares held NET	Loans and Advances granted by the Company *(gross)***	2015 revenue	*2016 revenue (provisional figures)*	2015 net income	*2016 net income (provisional figures)*	Dividends recorded in the last fiscal year	Year-end
VIGIE 1 AS [(1)]	21,100	211	11,156	100.00%	238	238	1	-	14,000	(202)	11,363	-	Year ended December 31, 2016
VIGIE 2	3,814	38	(6,758)	99.84%	38	0	7,386	-	-	(568)	(102)	-	Year ended December 31, 2016
SIG 41	2,495	38	(28)	99.80%	38	38	(12)	-	-	(3)	(3)	-	Year ended December 31, 2016
VIGIE 28 AS	3,700	37	14	100.00%	37	37	(28)	-	-	1	2	-	Year ended December 31, 2016
Veolia Innove	3,700	37	(127)	100.00%	903	0	(597)	3,784	4,426	(446)	(108)	-	Year ended December 31, 2016
Veolia Environnement Ingénierie Conseil	3,700	37	(5,234)	100.00%	1,945	0	5,743	3,149	3,411	(3,598)	(600)	-	Year ended December 31, 2016
VIGIE 33	3,694	37	(13)	99.84%	37	37	(25)	-	-	(3)	(2)	-	Year ended December 31, 2016
VIGIE 34	3,694	37	(14)	99.84%	37	37	(25)	-	-	(3)	(2)	-	Year ended December 31, 2016
VIGIE 37 AS	3,700	37	(12)	100.00%	37	37	-	-	-	(3)	(2)	-	Year ended December 31, 2016
VIGIE 40 AS	3,700	37	(12)	100.00%	37	37	-	-	-	(3)	(2)	-	Year ended December 31, 2016
VIGIE 41 AS	3,700	37	(12)	100.00%	37	37	-	-	-	(3)	(2)	-	Year ended December 31, 2016
VIGIE 43 AS [(1)]	3,700	37	(182)	100.00%	37	37	-	-	-	(94)	(88)	-	Year ended December 31, 2016
GECIR GIE - in liquidation	5	0	(4)	5.00%	35	35	-	-	-	44	(4)	-	Year ended December 31, 2016
GIE du 36, avenue Kleber	2	0	34	66.67%	0	0	11,838	19,834	18,715	34	0	-	Year ended December 31, 2016
Veolia Eau d'Île de France	100	100	11,976	1,00%	1	1	-	408,232	393,989	19,826	11,976	-	Year ended December 31, 2016
Sloveo AS	1	33	1,210	1.00%	0	0	-	11,192	8,439	270	286	3	Year ended December 31, 2016
Veolia Support Services China	1	0	0	100.00%	0	0	-	-	-	0	0	-	Year ended December 31, 2016
Veolia Support Services Deutschland	1	25	(3)	100.00%	25	25	-	-	-	0	(1)	-	Year ended December 31, 2016
Veolia Support Services Sp. zo.o	50	1	95	100.00%	1	1	-	4,112	3,860	39	19	-	Year ended December 31, 2016

Company	Number of shares held	Share capital	Shareholders' equity other than share capital*	% share capital held	Carrying amount of shares held		Loans and Advances granted by the Company *(gross)***	2015 revenue	*2016 revenue (provisional figures)*	2015 net income	*2016 net income (provisional figures)*	Dividends recorded in the last fiscal year	Year-end
					GROSS	NET							
SNCM	1,581,183	35,037	(714,932)	67.69%	0	0	-	NC	642	NC	0	-	Year ended December 31, 2016
VIGIE 46	3,700	37	(2)	100.00%	37	37	-	-	-	0	(2)	-	Year ended December 31, 2016
VIGIE 47	3,700	37	(2)	100.00%	37	37	-	-	-	0	(2)	-	Year ended December 31, 2016
VIGIE 48	3,700	37	(2)	100.00%	37	37	-	-	-	0	(2)	-	Year ended December 31, 2016
VIGIE 49	3,700	37	(2)	100.00%	37	37	-	-	-	0	(2)	-	Year ended December 31, 2016
VIGIE 50	3,700	37	(2)	100.00%	37	37	-	-	-	0	(2)	-	Year ended December 31, 2016
LIVELIHOODS (L3F)	4,739	3,412	(2,721)	13.89%	474	474	-	N/A	-	N/A	(2,721)	-	Year ended December 31, 2016
Veolia Water Information Systems (VW IS)	260,173	9,625	3,887	13.52%	1,717	1,717	-	N/A	85,487	N/A	396	-	Year ended December 31, 2016
Vestalia	519	37	592	14.03%	89	89	-	18,350	17,420	174	64	1	Year ended December 31, 2016
Other subsidiaries and equity investments (less than 1% of share capital)													
Veolia Environnement UK (3)	866,733	553,650	95,582	0.18%	1,387	1,387	881,570	125,286	104,448	(33,243)	2,624	-	Year ended December 31, 2016
Vigeo (figures as of 12/31/2015, 2016 not received)	5,750	11,966	(1,477)	0.96%	219	114	-	7,702	NC	(937)	NC	-	Year ended December 31, 2016

* *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.*

NC Not communicated

N/A Not applicable

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

Year ended December 31, 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying financial statements of Veolia Environnement;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1 Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

2 Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code ("Code de commerce") (French Commercial Code) relating to the justification of our assessments, we bring to your attention the following matters:

As mentioned in Note 2.2 to the financial statements in respect of the accounting principles for financial investments, your Company recognizes provisions for impairment when the net carrying amount of a financial investment exceeds its value in use. The value in use for the investment is determined on criteria that include profitability and growth potential, net assets and the stock market value of the securities. Based on the current information available, we performed our assessment of the methods used by your Company, and reviewed, through audit sampling, their application.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code ("Code de commerce") relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders (and holders of the voting rights) have been properly disclosed in the management report.

The Statutory Auditors

French original signed by

Paris-La Défense, March 15, 2017

KPMG Audit A division of KPMG S.A.		ERNST & YOUNG et Autres	
Jean-Paul Vellutini	Karine Dupré	Gilles Puissochet	Xavier Senent

Parent company results for the last five years and other specific information

Parent company results for the last five years

(in € thousands)	2016	2015	2014	2013	2012
Share capital at the end of the fiscal year:					
Share capital	**2,816,824**	2,816,824	2,811,509	2,744,379	2,610,434
Number of shares issued	**563,364,823**	563,364,823	562,301,801	548,875,708	522,086,849
Transactions and results for the fiscal year:					
Operating income	**599,793**	566,257	656,550	468,783	486,031
Income before tax, depreciation, amortization and provisions	**295,026**	112,816	486,613	636,097	543,259
Income tax expense	**103,370**	107,319	97,287	133,773	84,812
Income after tax, depreciation, amortization and provisions	**513,840**	343,600	468,647	(418,424)	(352,913)
Distributed income	**438,640** [(a)]	401,184	383,953	374,246	355,494
Earnings per share *(in euros):*					
Income after tax, but before depreciation, amortization and provisions	**0.71**	0.39	1.04	1.40	1.20
Income after tax, depreciation, amortization and provisions	**0.91**	0.61	0.83	(0.76)	(0.68)
Dividend per share	**0.80**	0.73	0.70	0.70	0.70
Personnel					
Number of employees (annual average)	**1,019**	1,046	1,078 [(b)]	605	653
Total payroll	132,621	125,542	157,094	114,172	105,832
Total benefits (Social Security, benevolent works, etc.)	63,283	66,045	58,478	41,819	45,023

(a) The total dividend distribution presented in the above table is calculated based on 563,364,823 shares outstanding as of December 31, 2016, including 15,064,835 treasury shares held as of this date, and may change depending on movements in the number of shares conferring entitlement to dividends up to the ex-dividend date.

(b) Following the Group's reorganization, the average number of Veolia Environnement employees rose significantly in 2014 due to the integration of the headquarters teams and the Group's expatriate employees.

Other specific information

SUPPLIER PAYMENT PERIODS

Trade payables at the year-end break down as follows:

(in € thousands)	2016	2015
Total trade payables	**36,599**	**26,571**
Breakdown by due date		
• Amounts not yet due:	21,623	17,731
• Amounts past due:		
0 to 30 days	10,854	4,442
31 to 60 days	1,517	3,552
more than 60 days	2,605	847

All amounts not yet due are payable 45 days from the end of the month or less. Therefore, pursuant to the French Law on the Modernization of the Economy (LME), Veolia Environnement complies with the new payment period obligations.

As of December 31, 2016, amounts past due more than 60 days, include inter-company trade payables of €714.5 thousand.

INFORMATION CONCERNING EXPENSES NOT DEDUCTIBLE FOR TAX PURPOSES

Pursuant to Article 223 quarter of the French General Tax Code (*Code Général des Impôts*), we inform you that expenses covered by Article 39-4 of this Code total €771,754 (excess depreciation on vehicles and excess directors' fees).

BRANCHES

Pursuant to Article L. 232-1 of the French Commercial Code, Veolia Environnement states that it has a number of branches as of December 31, 2016.

5

RISK FACTORS AND CONTROL AFR

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

Through its position as a major player in the development, preservation and renewal of resources, and the diverse nature of its activities and sites, Veolia is exposed to various types of portfolio risk: human, financial, industrial and commercial (see Section 5.1 below).

The global economic crisis since 2011 has generated external risks outside the control of the Company, which affect the Company's risk profile, intensifying some of its risks (country risks, counterparty risks, customer default, etc.).

The Group deals with these risks through its risk management process (see Section 5.2 below) as well as through internal audits and internal controls (see Section 5.3 below). Special attention is also given to compliance with ethical rules, which are constantly strengthened within the Group (see Section 5.4 below).

The main risks identified 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 are set out below. However, other risks not presented or as yet unidentified could 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.

		Sections			
Scope	**Risks**	**Risk identification**		**Risk management**	
Risks relating to the business environment in which the Group operates	Risks relating to changes in markets, technology and competition	5.1.1	5.1.1.1	5.2.2.1	5.2.2.1.1
	Risks relating to the retention of necessary licenses, permits and authorizations and regulatory changes regarding healthcare, the environment, hygiene and safety		5.1.1.2		5.2.2.1.2
	Market risks		5.1.1.3		5.2.2.1.3
	Country risks		5.1.1.4		5.2.2.1.4
	Risks relating to natural disasters, climate change and season factors		5.1.1.5		5.2.2.1.5
Risks relating to the Group's business operations	Risks relating to changes in the Group's business activities	5.1.2	5.1.2.1	5.2.2.2	5.2.2.2.1
	Risks relating to the security of persons, tangible and intangible property, securities and information systems		5.1.2.2		5.2.2.2.2
	Liquidity risks		5.1.2.3		5.2.2.2.3
	Risks relating to human resource management		5.1.2.4		5.2.2.2.4
	Operational risks		5.1.2.5		5.2.2.2.5
	Legal, tax, contractual and commercial risks		5.1.2.6		5.2.2.2.6
	Risks relating to non-compliance with ethical rules		5.1.2.7		5.2.2.2.7

In 2016, the Group identified four priority actions defined in line with its strategy:

- continued transformation of the business model (see Chapter 1, Section 1.2 above);
- commercial performance efficiency;
- monitoring and management of commodity and energy prices;
- specific actions to strengthen information systems.

5.1 Risks relating to the issuer

5.1.1 RISKS RELATING TO THE BUSINESS ENVIRONMENT IN WHICH THE GROUP OPERATES

5.1.1.1 Risks relating to changes in markets, technology and competition

Faced with structural changes in its markets and a highly competitive environment for its activities, the Group is moving forward with its efforts to transform its organization, cost structure, and business.

The traditional municipal model (mainly involving public service concessions) is being challenged in the Group's core geographic zones and presents risks in emerging markets. The Group's activities are carried out in a highly competitive environment, which may result in the non-renewal or loss of contracts, limit access to new contracts, or significantly reduce profitability levels on renewal.

Major international companies, niche companies and companies whose overheads or profitability requirements are lower than those of Veolia serve each of the markets in which the Group competes. Another potential source of contract non-renewal may stem from the desire of certain public authorities to resume the direct management of water-related or waste services (particularly under management contracts).

The Group will develop new technologies and services or use new information technologies in order to offer customers services that are comparable to or better than those proposed by its competitors. These developments may generate significant costs and/or not produce the anticipated results and may have an unfavorable impact on the Group's results.

Furthermore, the use of new information technologies by the Group's competitors or the development by them of better performing and more competitive technologies could reduce or eliminate the competitive advantage the Group enjoys through the use of its technologies, know-how and experience.

For information on the management of risks relating to changes in the Group's markets and to competition, please refer to Section 5.2.2.1.1 below.

5.1.1.2 Risks relating to the retention of necessary licenses, permits and authorizations and regulatory changes regarding healthcare, the environment, hygiene and safety

Veolia has committed, and will continue to commit, the necessary means to comply with its environmental, health and safety obligations and to manage sanitary risks. In particular, these risks concern water discharges, drinking water quality, waste processing, soil and ground water contamination, the quality of smoke fumes and gas emissions. While regulatory changes offer new market opportunities for the Group's businesses, they also generate a number of risks. In accordance with legal, regulatory and administrative requirements (see Chapter 1, Section 1.6 above), including specific precautionary and preventive measures, Veolia is required to incur expenditure or invest to bring facilities under its responsibility into compliance or, if it has no investment responsibility, to advise its customers to ensure they undertake the necessary compliance work themselves. Failure by customers to meet their compliance obligations could be prejudicial to the Group as operator and adversely affect its reputation and growth capacity. Furthermore, regulatory bodies are authorized to initiate proceedings, which could lead to the suspension or cancellation of permits or authorizations held by the Group or injunctions to suspend or cease certain activities or services. These measures may be accompanied by fines and civil or criminal sanctions, which could have a significant negative impact on the Group's reputation, activities, financial position, results and outlook. If Veolia is unable to recover this investment or expenditure through higher prices, its operations and profitability could be affected. Environmental laws and regulations are constantly being amended and tightened and these amendments can generate significant compliance expenditure or investment, which cannot always be anticipated, despite the observation systems implemented.

For information on the management of health, environmental, hygiene and safety risks, please refer to Section 5.2.2.1.2 below.

5.1.1.3 Market risks

Interest rate and foreign exchange risks

The Group's operational and financial activities expose it to market risks. Interest rate and foreign exchange fluctuations could have an impact on the Group's results. Veolia holds assets, contracts debts, earns income and incurs expenses in a variety of currencies. The Group's financial statements are presented in euros; accordingly, when it prepares its financial statements, the Group must translate its foreign currency-denominated assets, liabilities, income and expense items into euros at the applicable exchange rates. Consequently, fluctuations in the exchange rate of the euro against these other currencies can affect the value of these items in the financial statements, even if their intrinsic value is unchanged in the original currency. For example, an increase in the value of the euro may result in a decrease in the reported value, in euros, of the Company's investments held in foreign currencies. These fluctuations in interest rates may also affect Veolia's future growth and investment strategies since a rise in interest rates may force the Group to refinance acquisitions or investments at a higher cost.

For information on the management of interest rate and foreign exchange risks, please refer to Section 5.2.2.1.3 below as well as to Chapter 4, Section 4.1, Note 8.3.1 to the consolidated financial statements above.

Counterparty risks

In the course of its activities, the Group is exposed to the risks of default by its counterparties (customers, suppliers, partners, intermediaries, banks, etc.). Counterparty risk is the risk that an entity is unable to respect its financial commitments (debt repayment, honoring a guarantee, offsetting under a derivative transaction, etc.). Counterparty risk for subsidiaries is limited to local deposits, settlement and account keeping banking activities, signature commitments and the continuation of confirmed credit facilities obtained from banks. Veolia counterparty risk is mainly associated with cash investments and positive market values on derivatives. Management rules require cash surpluses to be invested with managers of monetary UCITS, and short-term notes and deposits in leading banks and financial institutions (banks or financial institutions with minimum credit ratings awarded by Moody's, Standard & Poor's or Fitch of A3/P3/F3 (short-term) and A2/A/A (long-term), unless an exception is justified). Counterparty risks on financial transactions are monitored constantly by the Group's middle office.

For information on the management of counterparty risk, please refer to Section 5.2.2.1.3 below as well as to Chapter 4, Section 4.1, Note 8.3.3 to the consolidated financial statements above.

Risks relating to volatility in the price of energy, commodities and secondary raw materials

Energy and commodity purchases, whose prices can vary significantly, represent a major operating expense for the Group's businesses, in particular diesel for waste collection, coal and gas for the supply of energy services, and electricity for water treatment and distribution. Although most of the Group's contracts include price adjustment provisions that are intended to pass on any price fluctuations to Group revenue, using, in particular, price indexing formulae, certain events such as a time lag between price increases and the moment when the Group is authorized to increase its prices to cover its additional costs or an inappropriate update formula given the cost structure (including taxes), may prevent the Group from obtaining full coverage. Any steady increase in purchase prices and/or taxes could, by increasing costs and reducing profitability, undermine the Company's operations, insofar as the Company would be unable to increase its prices sufficiently to cover such additional costs.

In addition, sorting-recycling and trading businesses are particularly sensitive to fluctuations in the price of secondary raw materials (paper, ferrous and non-ferrous metal), and a significant long-term decline in the price of these secondary raw materials, potentially combined with the impact of the economic environment on volumes, could hinder the Group's operating performance.

Group activities also include the production of electricity in Germany, the United States, the United Kingdom and Central Europe. A significant portion of these sales concerns "unavoidable" energy production, co-generated with heat. Countries that are not bound to selling prices for electricity production under specific national regulations are exposed to fluctuations in electricity prices. A significant long-term decline in the market price of electricity in these countries could therefore impact the Group's operating performance.

For information on the management of risks relating to fluctuations in the price of energy, commodities and secondary raw materials, please refer to Section 5.2.2.1.3 below as well as to Chapter 4, Section 4.1, Note 8.3.1.3 to the consolidated financial statements above.

5.1.1.4 Country risks

Veolia generates over 69.2 % of its revenue outside France, with activity mainly focused in Europe, the United States, Australia and China. The Group also conducts business in certain emerging countries. In a complex and sometimes unstable international environment, risks relating to the conduct of business in certain countries may significantly impact Veolia's financial position and performance, and even its reputation and outlook. In particular, given the nature of Veolia's activities and the term of its contracts, Veolia's results can partially depend on external operating conditions, and any related changes, i.e. a country's geopolitical, economic, social or financial situation or its level of development, or its working and environmental conditions.

The Group's presence in certain countries can generate or exacerbate certain risks for businesses

The Group may be exposed to the political, economic or social instability of certain countries, thus making it difficult to conduct business. In certain cases, this risk could be even greater for foreign companies subject to the nationalization or expropriation of private property. Conducting business in certain countries can also expose the Group to risks relating to a country's general business practices for companies, and particularly foreign companies, such as a risk of non-payment or slower payment of invoices, sometimes exacerbated by the lack of legal coercive measures, increased foreign exchange risk or restrictions on fund repatriation.

Other factors which may impact the Group's operating conditions in certain countries are the lack or limited level of development in the legal and social infrastructures required to conduct a business activity, administrative delays, a lack of visibility over future regulatory or tax measures, a lack of qualified labor, as well as foreign exchange control measures and other adverse measures or restrictions imposed by governments. The Group could also be faced with worsening local conditions due to the conduct of its specific activities. The setting of public utility fees and their structure may depend on political decisions that could impede increases in fees over several years. These fees could therefore no longer cover service costs and provide a return for the Company or its subsidiaries. Major changes to regulations or inadequate regulatory enforcement, political opposition to the conduct of the Group's activities in public markets and local authority challenges to the application of contractual provisions could hinder the Group in obtaining or renewing certain contracts. Veolia could be faced with deterioration in the local economic, social or environmental conditions underpinning its activities, which could upset the economic balance of contracts due to a rise in unpaid household debts. The Group may also be unable to defend its rights before a court of law in certain countries, particularly emerging countries, should it come into conflict with their governments or other local public entities, with a potentially significant adverse effect on its financial position, results and outlook.

The potential impacts of Brexit

The uncertainties surrounding the different implementation scenarios for the United Kingdom's exit from the European Union are substantial. In this uncertain context, meetings have been held in the United Kingdom/Ireland zone to: i) monitor changes in relations between the UK government and the EU, ii) analyze and assess the potential impacts for the Group and iii) 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. The Group's exposure to foreign exchange transaction risk is limited as of December 31, 2016, as the Group's activities are performed by subsidiaries operating in their own countries and their own currency. With regard to foreign exchange risk on assets, as it is the Group's policy to back foreign-currency financing or foreign currency derivatives with net investments in a foreign operation, the Group does not have a material foreign exchange position that could generate significant volatility in foreign exchange gains and losses.

Nonetheless and with the exception of the exchange rate risk referred to above, the Group considers its exposure to this situation to be limited. The main mid- to long-term risks identified concern the UK governance policy, energy policy and regulation in the UK and production cost factors. The working party set up is closely monitoring the dedicated action plans in order to limit these risks.

The destabilization of a country can generate emergency situations and exceptional risks

In certain cases, the worsening of such factors can lead to a country's general political and economic destabilization, thus making it difficult for the Group to conduct business because of reduced security and stability. The Group's businesses may be subject to malicious acts or terrorism. As such, energy services, waste management services or water distribution may be targets. In addition, certain Veolia employees work or travel in countries where the risks of acts of terrorism or other acts with malicious intent can be temporarily or constantly high (see Section 5.1.2.2 below). Very large-scale or recurring natural disasters can also lead to exceptional disruption in external infrastructures (roads, means of communication, etc.) on which Veolia depends for the conduct of its business and may cause damage to the infrastructures for which it is responsible. Veolia could thus be temporarily unable to perform services under the terms and conditions of its contracts. Accordingly, despite the forward planning and protection measures implemented by the Group and the insurance policies subscribed, the occurrence of these exceptional events could impact the Group's results.

For information on the management of country risks, please refer to Section 5.2.2.1.4 below.

5.1.1.5 Risks relating to natural disasters, climate change and seasonal factors

The risks set-out below include the financial risks relating to the impacts of climate change referred to in Article L.225-37 of the French Commercial Code.

The measures implemented by Veolia to mitigate these risks are detailed in Section 5.2.2.1.5 below on the management of risks relating to natural disasters, climate change and seasonal factors. Chapter 6, Section 6.2.3.3 describes the implementation of the low-carbon strategy in the Group's business components.

Risks relating to natural disasters and climate change

Due to the geographic spread of its operations and sites, the Group could be exposed to natural disasters such as floods, earthquakes, extreme droughts, landslides, cyclones, tsunamis, etc. These external factors could impact: (i) the operating performance of facilities, (ii) business continuity, (iii) the environmental footprint, (iv) the construction period for facilities, and (v) the cost of insurance coverage tied to the impact on capacity in the insurance and reinsurance market. Furthermore, the Group may be required to offset the reduced availability (due to business disruption) of the means of providing solutions initially planned, with resources that cost more than forecast.

A natural disaster, climatic incident, or other exceptional event the extent of which is difficult to forecast may have a negative impact on the Group's activities and this despite third-party liability, property damage and business continuity insurance coverage of the Group's subsidiaries (see Section 5.2.3 below).

For information on the management of risks relating to natural disasters and climate change, please refer to Section 5.2.2.1.5 below.

Risks relating to climatic conditions impacting the Group's results and seasonal factors

Climate change particularly impacts trends in the frequency, seriousness and impact of climatic conditions on the Group's activities and notably access conditions to resources (exceptionally high or low rainfall, floods, etc.), changes in domestic water consumption and changes in energy volumes during mild winters. While the solutions proposed by Veolia highlight the circular economy, the impact of the climate on the scarcity of resources can have consequences on the cost of accessing resources. Thus, climate variability from one year to the next may have an impact on the operating results of certain Group businesses. The Energy business generates most of its earnings in the first and fourth quarters of the year, when heating is used in Europe, while in the Water business, household water consumption tends to be higher between May and September in the northern hemisphere. Accordingly, these two businesses and therefore the Group's earnings may be impacted by significant deviations from seasonal weather patterns.

For information on the management of risks relating to climatic conditions impacting the Group's results and seasonal factors, please refer to Section 5.2.2.1.5 below.

Risks relating to the European Union emissions trading scheme (EU ETS)

As a combustion plant operator, the Group is exposed to the risks inherent to the Emissions Trading Scheme (EU ETS) introduced by the European Union in 2005 (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, in 2013, Energy businesses saw a 60% decrease in their emission allowances compared with 2012 and must now purchase a portion of the allowances necessary for their production.

In this context, Veolia's risk derives from two sources: firstly, the Group may produce higher levels of emissions than anticipated, either for technical or business reasons, which would require it to incur additional expenses, and secondly, the Group may not be able to fully pass on the additional cost of purchasing allowances in its pricing formulae.

For information on the management of risks arising from the EU ETS, please refer to Section 5.2.2.1.5 below.

5.1.2 RISKS RELATING TO THE GROUP’S BUSINESS OPERATIONS

5.1.2.1 Risks relating to changes in the Group’s business activities

Risks relating to the Group strategic plan

The transformation plan implemented by Veolia between 2011 and 2015 enabled it to refocus on its most important markets (in terms of location and economic sector), implement a more integrated and efficient structure and improve margins. On December 14, 2015, the Group presented its strategic plan for 2016-2018 founded on two pillars: a progressive return to revenue growth and ongoing improvements in operating efficiency.

Due to external factors, it may take longer than scheduled to implement this plan and implementation costs could be higher than forecast.

Risks relating to changes in the scope of the Group’s business activities

Veolia carries out financial transactions impacting its business scope, whose impact on business and earnings could be less favorable than expected or detrimental to its financial position. The divestitures and growth transactions presented below represent major changes in the Group scope and are presented for illustrative purposes. Changes in the scope of the Group’s business activities are presented in Chapter 3, Section 3.1.2 above.

For information on the management of risks relating to changes in the scope of the Group's business activities, please refer to Section 5.2.2.2.1 below.

Risks relating to divestitures

In 2016, Caisse des dépôts and Veolia Environnement finalized an agreement on Veolia’s withdrawal from Transdev Group.

The conditions under which the different activities are sold expose the Group to risks relating to the need, on occasion, to re-create independent functional services that were previously provided on a shared basis. These risks concern human resources, as certain individuals with expertise may leave the Group, and the means used to manage these functional services, such as methods, suppliers or IT tools. The main areas concerned are financial services, human resources (including the training campus), real estate and general services. In addition, it is possible that unfinalized divestitures will either not be carried out within the forecast deadlines, not achieve the expected valuation, or not be completed. Lastly, the business sales agreements include vendor warranties covering certain risks identified by the buyer. Their future occurrence and the resulting warranty calls could have financial consequences for the Group.

Risks relating to growth transactions

Veolia performed the following major transactions in 2016:

- acquisition of Kurion (US company);
- acquisition of Chemours’ Sulphur Products division.

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 may be significant at Group level. These external growth operations involve numerous risks, such as: (i) macroeconomic conditions may change between the date of valuation and the date of integration; (ii) the business plan assumptions supporting the valuations may not be confirmed, in particular with respect to synergies and expected commercial demand; (iii) Veolia may fail to successfully integrate the acquired or merged companies and their technologies, products and personnel; (iv) Veolia may fail to retain key employees, customers and suppliers of the companies acquired; (v) Veolia may be required or wish to terminate pre-existing contractual relationships under costly or detrimental financial terms and conditions; (vi) Veolia may be forced to sell off businesses or limit the growth of certain businesses so as to obtain the necessary authorizations for carrying out these operations, particularly with regard to antitrust legislation. As a result, the expected benefits of completed or future acquisitions or other external growth operations may not be realized within the time periods or to the extent anticipated, or may impact the Group's financial position.

5.1.2.2 Risks relating to the security of persons, tangible and intangible property, securities and information systems

The protection of the Group's employees, activities and resources is subject to extremely strict constraints and particularly regulatory constraints, which expose the Group to legal liability. Given the nature of the Group's activities and its geographic spread, its employees, tangible and intangible property, securities and information systems could be the target of malicious or terrorist acts. For example, the 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 action. In addition, Veolia employees work or travel in countries where the political, geopolitical or social climate can occasionally expose them to criminal, malicious or terrorist acts or violent situations. Information systems are indispensable tools for carrying out the Group's operational activities and managing its functional departments (Finance, Human Resources, etc.). Information system downtime resulting from a disaster or a malicious intrusion involving one or more of these information systems could have major consequences for the quality or even the continuity of the service delivered internally and for the availability, integrity and confidential and strategic nature of the Group's data, and could thus potentially have an impact on the activity of its customers. As a result, despite the numerous preventive and safety measures implemented by the Group and the insurance policies subscribed, the occurrence of such acts cannot be excluded and could adversely affect the Company's ability to continue the activity, as well as its reputation, financial position or results.

For information on the management of risks relating to the security of persons, tangible and intangible property, securities and information systems, please refer to Section 5.2.2.2.2 below.

5.1.2.3 Liquidity risk

Liquidity risk corresponds to the Company's ability to have enough financial resources to meet its commitments. The Company's gross liquidity is defined as all available cash and confirmed bank lines. Net liquidity corresponds to gross liquidity less current financing requirements. The Group could be exposed to liquidity risk and not have sufficient financial resources to meet its contractual commitments.

For information on the management of liquidity risk, please refer to Section 5.2.2.2.3 below and the description of loan agreements as well as the tables in Chapter 4, Section 4.1, Note 8.3.2 to the consolidated financial statements above.

For information on the management of financial risk, please refer to Section 5.2.2.1 below.

5.1.2.4 Risks related to human resource management

Risks relating to employee health and safety

Considering the labor-intensive requirements of the Group's businesses, their nature, the wide geographic spread of Veolia's employees in the field (in particular, on public roads and at customer sites), as well as difficult working conditions, the management of employee health and safety is particularly important. The prevention of health and safety risk in the workplace is an ongoing priority for Veolia across all its operations. Veolia is committed to ensuring the physical and psychological integrity of its employees. Despite the Group's particular focus on this issue, an increase in the frequency and severity of work accidents and a surge in work-related illnesses remains a risk.

For information on the management of risks relating to employee health and safety, please refer to Section 5.2.2.2.4 below.

Risks relating to skills availability

The Group engages in highly diverse businesses, requiring a variety of constantly developing skills to adapt to changes in the businesses associated with the Group’s activities. Changes in the Group’s businesses and its international expansion necessitate new expertise and the mobility of certain employees. Furthermore, the need to constantly seek out new profiles and train staff in new techniques represents a risk if the Group is unable to harness in a timely manner the skills required at all its locations.

For information on the management of risks relating to skills availability, please refer to Section 5.2.2.2.4 below.

Risks relating to the deterioration of labor relations

The Company's labor relations could deteriorate, thereby hindering productivity and the Group's performance. The Group's business activities, carried out on behalf of either industrial companies or public authorities, very often consist of essential services that always require human resources. The Group cannot rule out the occurrence of labor disputes (strikes, slowdowns, blocking access to sites or the destruction of property in extreme cases) that could disrupt business over a significant period of time. Such disputes could have a negative impact on Veolia's financial position, results, outlook or reputation.

For information on the management of risks relating to the deterioration of labor relations, please refer to Section 5.2.2.2.4 below.

5.1.2.5 Operational risks

Third-party liability risks and particularly health and environmental risks in respect of past and present activities

The increase in legislative, regulatory and administrative requirements exposes the Group to an ever increasing risk of liability, particularly in environmental matters, including liability related to assets that Veolia no longer owns and business activities that have been discontinued. In addition, the Group may be required to pay fines, repair damage or undertake improvement work, even when it has conducted its business activities with care and in full compliance with operating permits. Some of Veolia's activities could cause harm to people (sickness, injury or death), interruption to business or damage to the environment (including biodiversity), movable property or real estate. It is the Group's general policy to contractually limit its liability, implement the necessary prevention and protection measures, and to take out insurance policies that cover its main accident and operational risks (see Section 5.2.3 below). However, these precautions may prove to be insufficient, and this could generate significant costs for Veolia Environnement. In addition, the Group's subsidiaries in France or abroad may, under environmental services outsourcing contracts, perform activities at certain environmentally sensitive sites known as high or low threshold Seveso sites (section 4000 of the French "Installations Classified for the Protection of the Environment" (ICPE) system) or the foreign equivalent, operated by industrial customers (particularly petrochemical industry sites). In these instances, the Group must manage the provision of services with even greater care, given the more dangerous nature of the products, waste, effluents and emissions to be treated, as well as the close proximity of installations managed by the Group to customer sites. The regulatory regime governing Seveso facilities applies only within the European Union, but the Group operates several similar sites outside of this region that are subject to the same level of stringent regulation.

See also Chapter 1, Section 1.6 above and Chapter 4, Section 4.1, Note 10 to the consolidated financial statements.

Risks relating to major project design and construction activities

The Group carries out, particularly through Veolia Water Solutions & Technologies, turnkey design-build contracts, which are remunerated on a non-revisable fixed-price basis. Veolia's earnings are often conditional on meeting performance objectives, and failure to achieve these objectives triggers penalties. The risks to which the Group is exposed under this type of contract are generally technical (design and choice of appropriate, proven technology), operational (site management during the performance, acceptance and warranty phases or ability to use technology, potentially imposed by the customer) and economic (volatility of raw material prices, foreign exchange rates or commodities). In accordance with standard practice, Veolia seeks to contractually hedge this risk as much as possible. Veolia may, however, encounter difficulties over which it has no control, e.g. relating to the complexity of certain infrastructures, climate or economic risks or uncertainties in construction, the purchasing and ordering of equipment and supplies of commodities, or changes in performance schedules for certain contracts. In certain cases also, the Company must integrate existing information or studies provided by the customer that may prove inaccurate or inconsistent, or may be required to use existing infrastructures with poorly adapted operating characteristics. These difficulties and hazards may result in non-compliance with contractual performance measures, additional expense, lost revenue and/or the application of contractual penalties that could negatively affect the Company's financial position, results or outlook. In addition, the Company and its subsidiaries generally make use of sub-contractors and suppliers in the performance of their contracts. While these subcontractors and suppliers are subject to a selection process and credit review, their failure could generate delays and significant additional costs without the ability to recover all costs incurred.

Risks relating to competition and authorization procedures for the conduct of certain activities

In order to conduct its activities, Veolia is generally required to win a contract and sometimes to obtain, or renew, various permits or authorizations issued by regulatory authorities. Competition and/or negotiation procedures preceding the award of these contracts are often long, costly and complex, with outcomes that are difficult to foresee. This is also the case for authorization procedures for activities with a significant environmental footprint, which are often preceded by increasingly complex studies and public inquiries. The Group may invest significant resources in a project or tender bid without obtaining the right to perform the planned activity or receiving sufficient compensation to cover the cost of its investment, should it, for example, fail to obtain the permits and authorizations necessary to perform the activity or the necessary authorizations from antitrust authorities, or alternatively obtain the authorizations at conditions requiring the Group to renounce certain development projects. The extent and profitability of the Group's activities could be affected if such situations increase.

Emerging health and environmental risks

Risks may be undetectable, at a given time, because they are not completely identified due to the absence or lack of scientific data. Adverse effects could occur several years after the materialization of these risks.

For information on the management of operational risks, please refer to Section 5.2.2.2.5 below.

5.1.2.6 Legal, tax, contractual and commercial risks

Risks relating to long-term contracts

As the majority of the Group's activities are performed under long-term contracts, this can hinder its ability to react rapidly and appropriately to new situations with an adverse financial impact.

The initial circumstances or conditions under which the Company enters into a contract may change over time, which may result in adverse economic consequences. Such changes vary in nature and may or may not be readily foreseeable. Certain contractual mechanisms may help in addressing such changes and restoring the initial balance of the contract. The implementation of such mechanisms may be triggered more or less automatically by the occurrence of a given event (for instance, price indexing clauses), or they may require revision or amendment of the contract necessitating the agreement of both parties or of a third party. Accordingly, the Company and/or its subsidiaries may not be free to adapt their compensation to reflect changes in their costs or demand, regardless of whether this compensation consists of a price paid by the customer or a fee levied on end users based on an agreed-upon scale. The longer the term of the contracts, the more these constraints on the Company are exacerbated. In all cases, and most particularly with regard to public service management contracts, the actions of the Company and/or subsidiaries must remain within the scope of the contract and ensure continuity of service. Moreover, they cannot unilaterally and suddenly terminate a business activity that they believe to be unprofitable, or change its features, except, under certain circumstances, in the event of obvious misconduct by the customer.

Risks relating to the rights of public authorities

The rights of public authorities to unilaterally terminate or amend contracts entered into with the Company and/or its subsidiaries could have a negative impact on its revenue and profits.

Contracts with public authorities generate a significant percentage of the Group's revenue. In numerous countries, including France, public authorities may unilaterally amend or terminate contracts under certain circumstances provided that they compensate the other party to the contract. This may not be true in all cases, however, and the Company and/or its subsidiaries, despite their best efforts, may not be able to obtain full compensation should the relevant public authority unilaterally terminate a contract.

Risks relating to the set-up of partnerships

The Group may be required to conduct its activities in France and abroad through partnerships with public authorities or private players. These partnerships offer a means of sharing the economic and financial risks associated with certain major projects or activities. While the partial loss of operational control granted in return for reduced capital exposure is managed contractually, changes in the project or activity concerned or the economic or political context, or a downturn in the economic position of the partner(s) could lead to conflict between the partners and in certain cases the termination of the partnership. These situations, tied to the poor performance of a partnership, could have a significant impact on the Group's business activities, financial position, results or outlook.

Tax risks

Veolia operates throughout the world in numerous countries with different tax regimes. Tax risk is the risk associated with changes in laws and regulations (potentially with retroactive effect), the interpretation of those laws and regulations and changes in case law concerning the application of tax rules. Tax rules in the different countries where the Group operates are constantly changing and the tax regimes and tax rules applicable may be subject to interpretation and/or amendment. The Group cannot provide an absolute guarantee that its interpretations will not be challenged, with negative consequences for its financial situation or results. Furthermore, the Group is involved in standard tax audits and appeals. The main current tax audits are disclosed in Note 11.3 to the consolidated financial statements.

Significant litigation

In the ordinary course of its activities, the Company and/or its subsidiaries are involved in litigation, arbitration procedures and inquiries. The most significant litigation proceedings involving the Company or its subsidiaries are described in Chapter 4, Note 12 to the consolidated financial statements above and Chapter 8, Section 8.2 below.

For information on the management of legal, contractual and commercial risks, please refer to Section 5.2.2.2.6 below.

5.1.2.7 Risks relating to non-compliance with ethical rules

Actions by employees, agents and representatives who do not comply with the Group's "Ethics Guide" program (see Section 5.4 below) or the specific ethics codes that have been implemented could expose the Group to civil or criminal penalties and adversely affect its reputation.

5.2 Risk management process

5.2.1. RISK MANAGEMENT ORGANIZATION

5.2.1.1 Implementation of a coordinated risk management system

Organization

Veolia builds long-lasting relationships with its customers based, in particular, on its ability to manage risks delegated by them. The Group responds to this challenge, which is of fundamental importance to its development, by setting up a coordinated risk prevention and management system. In order to strengthen the Group's ability to roll out a risk management policy in a comprehensive and uniform manner, in line with its strategy, the Group Risk and Insurance Departments were merged at the end of 2012. The Group Chief Risk, Insurance and Compliance Officer reports to the Group's General Counsel, who is a member of the Company's Executive Committee.

In the Risk, Insurance and Compliance Department, the Risk Department coordinates and serves as the entry point for the Group's strategic risks using established risk management procedures and retains its cross-functional focus, encompassing the network of risk managers, the operations under their responsibility, and the various functional departments, so as to strengthen the ability of the entire Group to:

- **identify and anticipate:** ensure that constant oversight of the Group's major risks is gradually implemented so that no risk is overlooked or underestimated, and anticipate changes in the nature or intensity of those risks;
- **organize**: ensure that the main identified risks are addressed by the organization at the most appropriate level within the Group. Numerous operational risks are managed at Business Unit level, while others, which require specific expertise or are of a primarily transversal or strategic nature, are handled directly by Veolia;
- **process**: ensure that the structure and resources employed are effective so as to mitigate as much as possible the identified risks, in line with the Group's values;
- **raise awareness and inform**: the implementation of a coordinated risk management system is supported by campaigns to raise awareness about risk management among employees and also meets the need for disclosures concerning risks to the various financial and non-financial stakeholders.

In the Risk, Insurance and Compliance Department, the Insurance Department is responsible for protecting the Group's interests against insurable risks:

- by taking out common insurance policies to implement a consistent risk transfer and coverage policy designed to maximize economies of scale, while taking into account the specific characteristics of the Group's businesses and legal or contractual constraints;
- by optimizing thresholds and the means of accessing the insurance or reinsurance markets through the use of appropriate deductibles.

The process of covering risks through insurance is implemented in coordination with Veolia's overall risk management policy. This takes into account the insurability of risks associated with the Group's activities, the availability of insurance and reinsurance coverage on the market and the premiums proposed compared with the level of coverage, exclusions, limits, sub-limits and deductibles.

The Risk Department and the Insurance Department rely on the support of an international network of risk managers organized by country to take into account changes in the Group's organization.

The risk network has developed a process designed to identify and prioritize events that may prevent the Group from reaching its objectives. To this end, the Company and each of its entities have a summarized ranking of the major risks (risk mapping), drawn up in accordance with the main market benchmarks (in particular COSO II) and in line with ISO 31000 on risk management. The identified risks are assessed in terms of their impact and frequency, taking account of risk control measures. The “risk owners” are in charge of designing and implementing action plans in liaison with the risk managers for their geographic zone and/or country and/or head office, so as to limit and manage risk exposure. The risk network contributes to the definition of the corresponding action plans and the steering of the whole process. It also is responsible for issuing alerts and the coordination of emerging risks.

The Group's Risk, Insurance and Compliance Department works with all functional departments and, particularly, the Internal Audit Department, to help define its annual audit program. In addition, the audits carried out serve to enhance the risk assessments conducted within the Group. By verifying the Company's key processes, the Internal Audit Department provides assurance that internal control and risk management procedures have been implemented and are effective. These procedures are regularly assessed within the Group by the Company's Internal Audit Department in order to ensure that the Group has the appropriate risk management tools and processes (risk identification, implementation of action plans, updated risk mapping and deployment of the risk management function throughout the Group). The Group's Risk Department also works closely with the Internal Control Department, which is responsible for identifying, standardizing and improving the reliability of the key processes used to produce the Group's financial information.

In 2016, the main actions put in place by the Risk, Insurance and Compliance Department and its network involved:

- identifying, assessing and ranking risks, based on the common methodology;
- continuing risk prevention and protection measures in the Business Units;
- continuing the roll-out of Group insurance programs;
- continuing the work of the “emerging risks” committee;
- supporting Group business development through country risk and project risk analyses;
- performing risk appraisals and the implementing resilience offerings for cities;
- assessing and monitoring human rights risks.

5.2.1.2 Supervision of the risk management system

The Board of Directors’ Accounts and Audit Committee. The Risk, Insurance and Compliance Department presented an overview of its work to the Board of Directors’ Accounts and Audit Committee on two occasions in 2016. The first presentation examined the general risk management system and the Group's updated risk mapping. The second presentation examined the Group's insurance policies and programs. These presentations were conducted in accordance with the 8th European Directive, which requires the Board of Directors (via a specific committee) to seek assurance as to the effectiveness of the Company's risk management and internal control procedures.

The Group Risk Committee is responsible for validating and monitoring the effectiveness of the action plans 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. In 2013, the composition of this committee was changed to include members of the Company's Executive Committee, thus establishing a more direct link between the Group's strategy and the risk management process. The

Group Risk Committee is coordinated by the Chief Risk, Insurance and Compliance Officer and chaired by the Group's General Counsel. The committee met to examine the Group risk mapping and the action plans for mitigating these risks.

Since 2013, risk committees have been formed in each geographic zone and/or country, meet to monitor and approve the geographic zone and/or country risk mapping.

The Risk, Insurance and Compliance Committee is responsible for organizing and coordinating the Group's risk, insurance and compliance management processes. The Committee comprises the Group Chief Risk, Insurance and Compliance Officer and his three deputies (in charge of each of its functions) and meets every two weeks. It leads and monitors major functional projects.

5.2.1.3 Roll-out of security procedures within the Group

The deterioration in international security and the multiplication of information and media-based attacks (facilitated by new information and communication technologies such as social networking) compound the risks relating to the security of persons, property, securities and IT systems. In order to manage these risks as proactively as possible, a Security Department, whose manager reports directly to the Chairman and Chief Executive Officer, is in charge of identifying, analyzing and managing these specific risks. A network of security officers was established in all countries where the Group operates, in order to tailor the management of these risks to specific local conditions. The primary roles of this department are to avert security threats potentially affecting the Group and its employees and to manage violations possibly impacting employees, tangible and intangible property and securities of the Company 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 system has been updated, primarily to take account of changes in the Group's organizational structure. The warning system is supplemented by a crisis management procedure, and, if the situation is sufficiently critical, operational cells can then be quickly mobilized, bringing together all the necessary functional skills and the departments concerned. Predetermined objective criteria are used to assess the seriousness of the situation. This process is constantly refined on the basis of feedback on and post-crisis evaluations of each of the situations that have been managed.

5.2.2 OVERVIEW OF RISK MANAGEMENT MEASURES

5.2.2.1 Management of risks relating to the business environment in which the Group operates

5.2.2.1.1 Management of risks relating to changes in the Group's markets and to competition

The Group is required to carefully select the projects it pursues in traditional markets, propose innovative business models, and focus its business on more dynamic industrial markets and locations. The Group must continue to transform its cost structure in order to restore its profitability and gain a greater competitive edge over its competitors, while controlling the costs associated with its reorganization. The transformation of the Group's organization and its business has already enabled Veolia to leverage its competitive advantage in growth markets where its expertise sets it apart from its competitors and to become a growth partner for its industrial and municipal customers.

To accelerate the Group's growth strategy, the Development, Innovation and Markets Department (created in 2014) launched a development plan covering the period 2016 to 2018. Veolia Environnement has thus initiated 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 1.3.2.3 above).

The Group's aim is to be a growth partner for its customers, by providing cutting-edge solutions to the most complex issues they face and through offerings based on attractive business models (performance-based payment terms for these solutions, innovative financing, etc.). Backed by a new sales and marketing approach, this strategy has been confirmed through recent Group successes involving energy performance contracts, integrated waste management offerings (collection, processing and recovery), and offerings aimed at optimizing resources in the water and wastewater treatment sectors as well as improving the customer's operating performance.

The new sales and marketing approach is founded on the creation of global partnerships and a network of key account managers, mass roll-out of the Group's best offerings, and the development of innovative business models, closely coordinated with each geographic zone and operational teams. To support these new service offerings, the Group continues to invest in research and innovation (see Chapter 1, Section 1.5.1 above). Research programs reflecting the Group's strategic focus are geared to addressing customer priorities and seek to enhance offerings based on the specific expertise and added value of the Group's operational teams.

5.2.2.1.2 Management of risks relating to the retention of necessary licenses, permits and authorizations and regulatory changes regarding healthcare, the environment, hygiene and safety

The environment and health are central concerns for Veolia. The Group is committed to providing full professional guarantees covering the quality of its products and services, as well as compliance with safety and environmental standards (especially relating to emissions in the air, water and soil). The risks facing the Group mainly concern the condition of facilities on acquisition, the fact that the Group is not always responsible for the necessary investment, and customers' varying levels of awareness of such matters. Given the nature of Veolia's business, the regulatory compliance measures for facilities and services mainly involve air pollution control (smoke from heat generation plants and waste incineration facilities, exhaust fumes from transportation vehicles and legionnaires disease), water quality management (in respect of wastewater treatment plants, drinking water networks and the disposal of wastewater), the protection of soils and biodiversity, and health and safety monitoring for staff. In order to better manage its environmental risks, the Group has implemented an environmental management system which seeks to achieve continuous improvements in the environmental performance of all its Business Units. Moreover, in accordance with current standards and taking account of the recommendations of internal and external experts, Veolia implements control, maintenance and improvement measures either directly or in collaboration with customers when they assume responsibility for investments relating to the facilities. When Veolia designs new facilities, it strives to meet technical specifications that are sometimes more stringent than current prevailing standards. For older facilities, Veolia systematically carries out renovations or strongly recommends that owners do the same. At European level, the REACH, CLP (Classification, Labeling and Packaging) and Biocides regulations are monitored and applied in accordance with the relevant timelines.

5.2.2.1.3 Management of market risks

Management of interest rate and foreign exchange risks

As a result of its operational and financial activities, the Group is exposed to risks, such as interest rate risk and foreign exchange risk. To avoid having to bear all of these risks, the Group implemented management guidelines relating to these uncertainties, in order to ensure better risk control. The Veolia Environnement 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 around the world. This department relies, in part, on a cash management system designed to constantly monitor the principal liquidity indicators and all major financial instruments used at headquarters (interest rate/foreign exchange). The Middle and Back Office teams in the Finance Department verify transactions and monitor limits, thus ensuring the security of transactions processed. Reports are produced daily, weekly and monthly, thus enabling the Company's executive management to stay abreast of market trends and their effect on the Group's liquidity (current and forecast), the value of the Group's derivative portfolio as well as the breakdown of hedging transactions and their impact on the proportion of Group debt at fixed and floating rates. The interest rate risk management policy is decided centrally. The Group uses interest rate risk management tools available on the market, including interest rate swaps and options (see Chapter 4, Section 4.1, Note 8.3.1 to the consolidated financial statements above). Foreign exchange risk is linked to the Group's international business conducted outside the euro area, which generates cash flows in numerous currencies. As both income and expenses are usually in the currency of the country where the Group conducts business, the Group's exposure to transaction exchange rate risk from service activities is low. This risk is systematically hedged when it is certain (using currency futures) and on a case-by-case basis when uncertain (using options, generally when tenders are submitted). To manage foreign exchange risk associated with debt and financial receivables in the balance sheet, the Group has implemented a policy in order to finance its subsidiaries in local currency that involves backing foreign currency-denominated financing by asset class (debts and receivables). For more information regarding foreign exchange risk, see Chapter 4, Section 4.1, Note 8.3.1 to the consolidated financial statements above.

Counterparty risk management

The risk of counterparty default is assessed through changes in creditworthiness. As such, the Group distinguishes between the counterparty risk relating to its operating activities that generate trade receivables, and the counterparty risk relating to investment and hedging activities that give rise to bank borrowings.

For more information on the management of risks relating to changes in the creditworthiness of the Group's customers and its financial counterparties, see also Chapter 4, Section 4.1, Note 8.3.3 to the consolidated financial statements above.

Management of risks relating to volatility in the price of energy, commodities and secondary raw materials

Most of the contracts entered into by the Company and its subsidiaries include clauses aimed at passing on any fluctuations in energy, commodity and secondary raw material prices to the Group's revenue sources, particularly by means of indexation formulae. Furthermore, in certain countries and for certain energy sources, the supply of energy may be the subject of long-term supply contracts.

For more information on the management of risks inherent to fluctuations in the price of energy and commodities and, in particular, commodity derivatives, please see Chapter 4, Section 4.1, Note 8.3.1.3 to the consolidated financial statements above.

5.2.2.1.4 Management of country risk

In response to the increased uncertainty surrounding the international economic situation and the geographic refocusing of the Group's activities, Veolia set up a country risk and opportunities unit within the Risk Department. The role of the country risk and opportunities unit is to assess country risk, encompassing all the uncertainties relating to a specific geographic zone that could affect the conduct of the Company's operations and expected results and analyze the development opportunities.

To meet this objective, 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 unit produces comparative topical maps as well as a country assessment (with rating and qualitative information); these analyses incorporate not only indicators relating to geopolitical, legal and economic factors but also social, safety, employment-related and environmental conditions;
- *assessment of the Group's exposure to country risk*: using internal indicators (key performance indicators taken from Group reporting packages), for comparison with country-risk indicators;
- *management notification and awareness-raising*: by distributing the various analyses produced by the country risk and opportunities unit and making information available to a dedicated intranet community.

This analysis is supplemented by the continuous monitoring and analysis of the international security context by the Group Security Department (see Section 5.2.1.3 above).

In addition, in 2016, the country risk and opportunities unit prepared a risk mapping in order to assess the Group's exposure, in its different countries, to external risks relating to human rights issues and the perception by 120 managers of the challenges in this area. This study identified and assessed the regions the most exposed to human rights risks, analyzed the priority challenges and involved and raised the awareness of the zones and Business Units of this issue in order to implement actions plans consistent with the risk mapping.

5.2.2.1.5 Management of risks relating to natural disasters, climate change and seasonal factors

Management of risks relating to natural disasters and climate change

Over and above regulatory requirements, Veolia is committed to the active management of risks relating to natural disasters and climate change through: the implementation of prevention and control measures for its facilities, the incorporation of climate change issues at sites operated and the introduction of solutions to assist customers reduce their vulnerability. The implementation of services essential to the activities of public authorities and industrial companies requires constant vigilance and anticipation: the management of risks delegated by customers, particularly with regards to climate change, is at the heart of Veolia's expertise. The risk relating to natural disasters is mitigated by: (i) the choice of a site's location in order to limit exposure, (ii) analyses of the various scenarios to enable the implementation of tailored prevention plans and (iii) the development of business continuity plans. Site audits and insurance coverage completes management measures for this type of risk.

Management of risks relating to climate conditions impacting the Group's results and seasonal factors

The risk relating to climate uncertainty is, in certain cases, weighted by the various price setting methods stipulated in contracts and the geographic distribution of the Group's businesses.

Management of risks arising from the European Union Emissions Trading Scheme (EU ETS)

Veolia was very quick to adopt an active strategy in order to manage its greenhouse gas emissions and allowances, by implementing an appropriate structure and creating a special-purpose legal entity to purchase, sell and price different types of greenhouse gas allowances. In addition, through its Energy businesses, the Group allocates a significant share of its investment each year to reducing greenhouse gas emissions. In particular, these investments are designed to modernize the Group's plants, which today are mostly either gas-fired or coal-fired, by transitioning to facilities using biomass or combining coal and biomass so as to increase energy recovery and encourage reduced consumption. Deeply committed to combatting climate change, Veolia develops resource use models that are more restrained and efficient and primarily founded on the principles of the circular economy. The Group also supports measures favoring the large-scale development of a low-carbon and resilient economy through primarily a CO_2 polluter-payer principle and vice-versa; i.e. the setting and application of a robust and predictable carbon price. Furthermore, the Group seeks to tackle greenhouse gas emissions with a short lifespan and a high global warming potential, such as methane. Lastly, Veolia makes every effort to negotiate pricing schemes with its customers that enable it to recover its entire production costs, including the purchase at market price of greenhouse gas emission allowances (see Chapter 4, Section 4.1, Note 8.3.1.3 to the consolidated financial statements above).

5.2.2.2 Management of risks relating to the Group's business operations

5.2.2.2.1 Management of risks relating to changes in the Group's scope of activities

Projects for organic growth, acquisitions and divestitures studied by the Group bring together multi-disciplinary teams to ensure that all aspects of these projects are assessed and analyzed. They are also subject to review and approval by the Commitment Committees. There are three complementary committee levels: Business Unit, geographic zone and Group. In a context of strict investment controls, Veolia is extremely selective in its strategic growth choices. Projects involving either internal growth transactions or company acquisitions are subject to a comprehensive review (strategic, technical, operational, financial, legal, human resources, etc.) on the basis of standard reports, in which all risks are examined and assessed. Financial profitability and minimum return criteria, widely known and used throughout Veolia, are applied. Expected returns are naturally considered in relation to the risks incurred.

5.2.2.2.2 Management of risks relating to the security of persons, tangible and intangible property, securities and information systems

Due to the nature of its businesses and the scope and diversity of its sites, the Group pays close attention to all security issues that could threaten or adversely affect its employees, organizations or activities.

International security: travel authorization procedure and protection plans

In order to anticipate and guard against international security risks, the Security Department constantly monitors and analyses the international security context in each of the countries where the Group operates. A mapping of high-risk areas is prepared each month and distributed throughout the Group. A travel authorization procedure has also been implemented for high-risk areas. This procedure involves the case-by-case examination by the Security Department of all travel requests to those countries considered as presenting the highest level of risk. Each travel authorization is accompanied by specific security guidelines tailored to the risks associated with the country or countries in question and the traveler's profile.

In 2016, more than 2,650 travel authorizations were submitted to the Security Department. Security plans are drawn-up for the most sensitive countries and facilitate the reactivity of the Group in the event of a crisis. In addition, a security officer is identified in each of these countries. This individual acts as the Security Department's local representative and is the preferred point of contact for the country's diplomatic authorities. In order to deliver specific training to employees and inform them about security risks as well as prevention and protection rules and behavior to be observed during travel to high-risk areas, the Group developed an e-learning module, which is mandatory for any employees due to travel to these areas. In addition, a specific training module was developed for extended trips and expatriates. Group training sessions are also provided and adapted to the needs of trainees.

Information systems security

In line with the Group's structure, an information systems security organization (ISS) was set up in 2013 and updated at the beginning of 2016. Managed by an Information Systems Security Officer reporting to the Group Chief Security Officer as well as the Group Chief Information Systems Officer, the ISS is supported by a network of local officers spanning all countries where the Group operates.

A cybersecurity steering committee validates and monitors the implementation of the security policy. It meets once monthly, chaired by the Group's General Counsel and brings together the Chief Financial Officer, the Chief Risk, Insurance and Compliance 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 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 2016. The ISSP defines the objectives, missions and organization of Information Systems Security (ISS), details the approach based on specific Veolia risks and describes the ISS mechanisms designed to limit the occurrence or impact of ISS risks within Veolia.

This applies to:

- data security;
- the management of IT system users;
- IT infrastructure security;
- computer application security;
- specific recommendations for industrial systems;
- IT continuity plans;
- audits and control measures and the corresponding operating reports.

The ISSP is implemented in all Veolia entities under the oversight of the Information Systems Security Officer. 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 systems security practices and specific actions targeting the various communities exposed to specific risks such as accountants, CFOs, treasury managers etc.

In countries where Veolia is subject to specific local constraints associated with the protection of information systems, the local ISS officer works with the relevant authorities. This is the case in France, where Veolia is in permanent contact with the French Information Networks and Security Agency (ANSSI) and contributes to work relating to the application of the 2013-2019 military planning law for information systems.

5.2.2.2.3 Management of liquidity risk

The operational management of liquidity and financing is managed by the Financing and Treasury Department. Major financing and cash surpluses are pooled in a bid to optimize liquidity and cash. In 2015, Veolia Environnement renegotiated short- and long-term bilateral credit lines (totaling €925 million) and also signed a new €3 billion multi-currency syndicated credit line, enabling a reduction in its exposure to liquidity risk (see Chapter 3, Section 3.3.5.2 above).

The Group secures financing on international bond markets, international private placement markets and through commercial paper and bank loans (see Section 5.2.2.1.3 above and Chapter 4, Note 8.3.2 of the consolidated financial statements above).

5.2.2.2.4 Management of risks relating to human resources management

Management of the risk relating to employee health and safety

Given the nature of its operations and aware that solid performance in workplace health and safety is synonymous with increased performance for the Company, Veolia has made prevention, health and safety a daily priority in all its activities. The Group's approach to these issues is essentially shaped by the desire to protect the physical and mental well-being of its employees. Prevention, health and safety is the focus of heightened and continuous commitments and efforts. The approach to professional risk prevention is based on the involvement of all managerial levels as well as a continuous improvement system allowing the Company to honor its commitments, achieve its objectives and implement the ideas enshrined in the prevention, health and safety in the workplace policy. Executive Management gave a commitment in this regard in 2015. Suppliers are also asked 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 that are presented in detail in Chapter 6, Section 6.4.2.1 below. The cross-functional coordination of the Group's prevention, health and safety policy implemented a center of excellence devoted to these areas, which prepares, coordinates and assesses the performance of relevant operational and forward-looking projects. Further details are presented in Chapter 6, Section 6.4.2.1 below. In addition, efforts to increase European trade union involvement in the Group's prevention, health and safety policy are supported by a “Letter of Commitment” signed by management and employee representatives in 2012. This commitment ensures the consistency of field initiatives in each European country where Veolia operates. The structural themes of this joint commitment include systematic accident analysis, reinforcement of prevention in occupational health and improved communication with employees on health and safety topics. Finally, the quarterly monitoring of “near-misses” has been rolled out across all entities, enabling entity performance to be monitored and corrective measures to be implemented.

Management of risks relating to skills availability

Given the aging of the working population and the rapid development of technologies and working methods, Veolia has enhanced its forecasting capabilities with regard to skills management. The agreement signed in France on forward management of jobs and skills (GPEC in French) supplemented the provisions of the 2004 agreement on the “development of skills and vocational training”. Through this new agreement, Veolia focuses on anticipating changes in its businesses in line with the Group's transformation, supporting and encouraging career development and offering the right training solutions. In addition, the Human Resources Development Department defines and promotes policies on mobility and career management, as well as sourcing and managing talent across all of the Group’s operations. Finally, this skills management is made operational through the work of the campuses, which proposes a diverse offering that is constantly adapted to the Group businesses (for further details on the training policy see Chapter 6, Section 6.4.3 below). The Group's considerable efforts in the area of managerial development (identification and training of senior managers, roll-out of the Manager's Code of Conduct, and manager commitment survey), and commitments undertaken with respect to gender mix and internationalization serve to strengthen the loyalty and professionalism of Group managers (see Chapter 6, Section 6.4.4 below).

Management of risks relating to deterioration of the labor relations climate

Veolia attaches great importance to this aspect of its human resources policy and has set itself the challenge of making labor relations one of the major factors of staff cohesion and the Group's organizational and economic performance. Veolia's labor relations model aims first and foremost to create and maintain a relationship built on trust with its employees and their representatives via a policy focusing on fair and consistent compensation, promotion within the Company, training, career and skills management that facilitates job progression and via constant enhancement of its health, safety and accident prevention policy.

The Group has enshrined these commitments in Group-wide agreements signed with all trade unions representing employees: the December 2008 agreement on health, safety and accident prevention, signature of a letter of commitment by Executive Management and the Group's European Works Council on Prevention, Health and Safety. These agreements are fleshed out and supplemented by over 900 local collective bargaining agreements signed by the Group's entities. 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. Since 2011, the European Works Council has initiated exchanges with Veolia 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 6.4.3 below). In February 2010, the Group signed an agreement on the quality and the development of relations with all trade unions representing employees, with a view to improving labor relations. Action and training plans are defined with stakeholders in labor relations and have been implemented since 2011.

In 2015, an agreement on procedures for exchanging views on strategic directions within employee representation bodies was signed by representatives of the France and Europe Work Councils. Developing and structuring communications with employees is all the more crucial in this period of transformation, as it strengthens staff cohesion across the Group and ensures that the Group's employer and social responsibility commitments are upheld in a difficult economic context. Supporting employees during this change underlines the Group's desire to ensure their employability and promote internal mobility (see Chapter 6, Section 6.4.3 below).

5.2.2.2.5 Management of operational risks

Management of health and environmental third-party liability risks in respect of past and present activities

Faced with the systematic risk of being held jointly liable with its customers in the event of serious contamination or accidents, the Group strives to satisfy its own obligations while helping to ensure that customers do the same. 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 must be performed regularly enabling appropriate prevention plans to be established and a business continuity plan to be developed. Given the nature and potential seriousness of all of the risks mentioned above, the Group has implemented three principal types of actions to help control and manage these risks:

- firstly, the prevention of accidents that may damage property and as a consequence cause harm to people or the environment necessitates the implementation of procedures aimed at ensuring the compliance of installations and monitoring their operation and also ensuring improved risk management; the environmental management strategy is one of the cornerstones of this approach, particularly through validation by external certification (ISO 14001, sector guidance, etc.) ;
- secondly, internal and external audits are conducted regularly to identify and prevent industrial risks (fire, machine breakdown, environmental damage, etc.);
- thirdly, the Group has purchased insurance covering public liability and liability resulting from unavoidable or accidental pollution and has also taken out material damage policies (see Section 5.2.3 below).

All of these actions are implemented by the Group's Business Units in coordination with the Legal, Technology and Performance, Sustainable Development and Insurance Departments. The activities also benefit from the support of the Research and Innovation Department, alongside the Legal Departments and Veolia Environnement’s office in Brussels, which monitors changes in regulation. In its Water, Waste or Energy business lines, when the Group provides services at a “Seveso” facility or its foreign equivalent, it actively participates in the implementation of health and safety measures at these sites. The application of more stringent regulatory standards for these sites requires Group employees to undergo specialized training, attend health and safety committee meetings at industrial customers' sites and comply with the Major Accident Prevention Policies (MAPP) implemented by its customers. Seveso facilities are also subject to specific internal control measures that seek to prevent accidents and protect employees, the public and the environment. In addition to major accident prevention policies, internal operational plans also apply to these facilities, as well as crisis intervention measures coordinated with public authorities in the event of an accident. Based on its desire to apply safety protection rules and in anticipation of regulatory changes under consideration, the Group has decided to apply all or part of the Seveso regime at certain sites.

Management of emerging health and environmental risks

Believing that mere compliance with regulatory requirements is not sufficient to ensure adequate control of health and environmental risks, Veolia Environnement has also voluntarily implemented a number of measures based on strict prevention and control procedures as part of a global approach, particularly with respect to its multi-service contracts (for example, hazard studies, evaluation of impacts and checkpoint controls and inspections). The Group also actively monitors research on subjects like nanomaterials and nanotechnologies, emerging biological parameters, household toxicity and the environmental consequences of climate change. It develops research projects, alone or in partnership with research centers or French or foreign specialized bodies, on certain subjects that are deemed to be priorities.

5.2.2.2.6 Management of legal, tax, contractual and commercial risks

Veolia places great importance on the management of legal risks given the nature of its business, that of environmental services, an area subject to increasingly complex regulation. The Veolia Environnement Legal Department ensures effective management of legal risks in liaison with operating teams in the field and in compliance with the Group's overall risk management process. The specific nature of the Group's activities (management of local public services, multitude of geographic locations, representatives and counterparties) has led the Company to adopt legal compliance rules to guide its employees in their activities and in the preparation of legal documents and to ensure compliance with such rules. In particular, these rules cover the Group's legal structure and notably the delegation of powers and monitoring thereof, and the selection of corporate officers. They also cover the reporting of major litigation (litigation and dispute reporting procedure) and significant operating contracts, compliance with antitrust law, ethics, standard contractual clauses, sponsorship and patronage, managing relations with commercial intermediaries, conflicts of interest, and activities in sensitive countries. They are accompanied by information, awareness raising and training initiatives (see Section 5.4.1 below).

As a company with shares listed on the Paris Stock Exchange, Veolia Environnement is required to comply with rules governing:

- periodic and permanent market reporting: a Disclosure Committee supervises and controls the collection and communication of information regarding the Company's Registration Document (see Section 5.3.6 below);
- corporate governance: particularly with regard to the make-up and activities of the Board of Directors and its committees, relations between these entities and executive management, the provision of information to shareholders and the proper application of regulations and codes applicable to listed companies (see Chapter 7 below);
- insider trading: to help prevent insider trading, the Company has adopted a code of conduct governing trading in its securities. The Chairman and Chief Executive Officer and the members of the Group Executive Committee are deemed to be "permanent insiders" and trading by any of them in the Company's securities is prohibited, except during strictly defined periods and provided that they do not hold material inside information during such periods. These measures also cover so-called "occasional" insiders. The Company revised and updated its code of conduct to reflect new regulatory requirements applicable to issuers and their executives and particularly the compilation and update of a list of "insiders" and the reporting obligations concerning transactions in the Company's securities to be complied with by key managers of the Company and persons closely related to such individuals.

In order to comply with local tax laws and regulations, Veolia calls on the tax department and a network of tax professionals to ensure compliance with tax obligations and thereby reduce the tax risk to a reasonable and normal level.

5.2.2.2.7 Management of risks relating to non-compliance with ethical rules

The management of risks relating to non-compliance with ethical rules is set-out in the Group's "Ethics Guide" program (see Section 5.4 below) and the specific ethics codes.

5.2.3 INSURANCE

5.2.3.1 Policy relating to insurance

The Group's policy relating to insurance involves (i) defining the overall insurance coverage policy for the Group's business activities particularly based on the expression of needs of Business Units, (ii) selecting and entering into contracts with outside service providers (brokers, insurers, loss adjusters, etc.), (iii) managing the consolidated subsidiaries specializing in insurance or reinsurance services and (iv) leading and coordinating the network of insurance managers for the main Business Units.

Main Group insurance policies

5.2.3.2 Third-party liability

The general third-party liability and environmental damage program was renegotiated effective January 1, 2015 for a three-year period for worldwide coverage (excluding the United States and Canada). Outside of the United States and Canada, initial coverage of up to €100 million per claim was subscribed. In the United States and Canada, several contracts cover third-party liability and environmental damage for Group subsidiaries, up to a maximum of USD 50 million per claim and per year. For all Group subsidiaries worldwide, an insurance program provides excess coverage of up to €400 million per claim, in addition to the basic coverage of €100 million outside the United States and Canada, and of up to €450 million per claim in addition to the basic coverage of USD 50 million in the United States and Canada. This program encompasses liability resulting from environmental damage sustained by third parties as a result of a sudden and accidental event. Certain activities, such as maritime transport, automotive and construction, have their own specific insurance policies.

5.2.3.3 Property damage and business continuity

All the Group's subsidiaries are covered by property damage insurance policies, insuring the installations that they own as well as those that they operate on behalf of customers. The Group insurance program provides either "business interruption" coverage or "additional operating cost" coverage depending on each subsidiary's ability to use internal or external solutions to ensure service continuity. These policies contain standard insurance market terms. The Group's property insurance policy was renewed on January 1, 2016 for a period of three years. The level of premiums, deductibles and sub-limits for exceptional socio-political or natural events reflects the terms proposed, or sometimes required, by insurers in the markets in which the risk is underwritten. Group insurance coverage carries a limit per event of €430 million per claim. Some of this coverage includes additional sub-limits per claim or per year. On January 1, 2016, the Group also renewed its Construction-Comprehensive Assembly and Test insurance policy covering all worksite operations throughout the world, for all subsidiaries.

5.2.3.4 Self-insurance and retained risks

For any insured claim or loss, Group companies remain liable for the deductible amount set out in the policy. This amount may range from several thousand euros to more than one million euros. The Group's self-insurance system is based mainly on its reinsurance subsidiary, Veolia Environnement Services-Ré, which retains a self-insured risk of €1.5 million per claim for third-party liability and €2 million per claim for property damage and resulting financial losses, thereby limiting the accumulation risk. For both property damage and third-party liability, Veolia Environnement Services-Ré has set up reinsurance contracts to limit its exposure to frequency risk (excess of loss-type contracts). The insurance policy described above continues to be updated in response to the ongoing appraisal of risks, market conditions and available insurance capacity. Veolia Environnement ensures that the main accidental and operating risks brought to its attention are covered by the insurance markets, when insurance is available on the market and it is economically feasible to do so.

5.3 Audit and internal control procedures

5.3.1 DEFINITION AND OBJECTIVES OF INTERNAL CONTROL

The purposes of the internal control procedures in force within the Group are:

- to ensure that management acts fall within the framework defined by applicable laws and regulations, the corporate decision-making bodies and the values, standards and rules of the Company as well as the strategy and objectives defined by Veolia Environnement's Executive Management;
- to ensure that the accounting, financial and management information communicated to the Company's corporate decision-making bodies fairly reflects the activity and position of the Company and the Group.

The main objective of the internal control system is to prevent and manage the risks arising from the Company's businesses, in particular the risks of errors or fraud. Like any control system, however, no absolute guarantee can be provided that these risks are completely eliminated.

5.3.2 INTERNAL CONTROL 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 components, are vital to Veolia. The Group's ongoing objective is to maintain the right balance between the decentralization that is necessary for its service activities, the highest level of operational and financial control, and the dissemination of expertise and best practices.

The steering and coordination of internal control is founded on these principles and organized as follows.

At Group level, management of the system is supervised by the Veolia Environnement Executive Committee, which reviewed progress with the internal control coordination work detailed below twice in 2016.

The Risk, Insurance and Compliance Department (RICD) is responsible for coordinating internal control and compliance and is tasked with rationalizing and implementing a control system covering all areas of the Company, in conjunction with the functional departments.

The Internal Control Department reports to the Group Finance Department and manages a network of internal control officers located within the Business Units. Its duties involve the definition and implementation of a framework for the control of transactions and operations pursuant to the risk management policy based on a procedures guide. In 2016, the Internal Control Department ensured the correct application of procedures and monitored the action plans aimed at improving the level of internal control in the Business Units. The Internal Control Department is the RICD's special correspondent for all matters concerning financial processes. The parent company and the companies consolidated in the Group's consolidated financial statements fall within the scope of the Internal Control Department.

The Group's Corporate Legal Department continues its ethics and compliance duties (mainly awareness raising activities and training in competition law and the prevention of criminal risk and bribery) (see Section 5.4 below) and validates the legal aspects of internal Group Norms.

Since 2014, the RICD has organized and managed a network of internal control officers in the Group functional departments and the Business Units. Coordination meetings are organized regularly to work on the structure and linking of the processes, as well as the Group's operating rules and principles.

In 2016, the RICD led three structuring actions:

- **The grouping, organization and monitoring of Group Norms**: Group Norms encompass all the internal and/or external documentation forming the foundation of the Group's governance and define the values, commitments, principles and rules that the Group intends to apply and roll-out long-term in its organization. Each functional department is responsible for the drafting and monitoring of their norms in its sector. The RICD ensures the internal consistency of the various norms and supervises the regrouping and rationalization of these norms in accordance with a process defined and validated by the Executive Committee. The Group's Corporate Legal Department contributes to the drafting of Group Norms and validates their compliance with applicable law;
- **Access to Group Norms**: all documents comprising the Group Norms and its update and validation process can be accessed by all employees in a multi-lingual documentary database available on the Veolia intranet;
- **Drafting of an internal guide to Group fundamental principles:** This guide presents a summary of the Group's organization and operating methods. It is structured around 14 processes, with a description of the main players and interfaces for each process, their duties and the key activities for the achievement of the associated objectives and the smooth running of the Group. Links to Group Norms and intranet pages are also included.

These departments work very closely with the Internal Audit Department, which regularly controls the correct application of Group Norms.

The Internal Audit Department performs assignments throughout the entire Group, according to a charter and an annual program. The Internal Audit Department has a staff of 25. 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 to it an activity report summarizing audit missions performed, the follow-up of recommendations as well as the annual audit program.

The objective of the Internal Audit Department is to assess risk management, control and corporate governance processes and to contribute to their improvement through a systematic and methodical approach. This approach covers all aspects of internal control and in particular the accuracy and integrity of financial information, the effectiveness and efficiency of operations, the protection of assets and compliance with laws, regulations and contracts.

The Internal Audit Department operates based on the following two key mechanisms:

- the implementation of an annual audit program approved by the Company's Audit and Accounts Committee;
- the guidance and oversight of the annual process of formal, in-depth self-assessment of internal control.

In addition, the Internal Audit Department investigates all identified or suspected frauds involving amounts in excess of €1 million or executive managers.

In 2006, the Group Internal Audit Department was certified by the French Audit and Internal Control Institute (IFACI). This certification, confirmed annually since then, relates to professional standards and attests to the Internal Audit Department's ability to fulfill its role.

5.3.3 CONTROL DUTIES OF FUNCTIONAL DEPARTMENTS

Each functional department of the Group is responsible for defining norms and setting rules and principles applicable in its sector, in conjunction with the departments concerned. They lead and assist their network in their areas of expertise with regard to issues that are complex or common to several Business Units. They encourage the sharing of best practices and develop appropriate training programs where necessary.

In 2016, several departments reviewed and adapted their Group Norms in accordance with the process set out in Section 5.3.2 above.

5.3.4 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.

It coordinates the analytical reviews of the interim and annual accounts closings. The Finance Department is supported by:

- the Financial Reporting Department, which is responsible for preparing the Group's forecast and actual consolidated financial statements and financial documentation;
- the Management Control Department, which is responsible for reviewing the operating performance of the Business Units in the forecast and actual phases. It is also responsible for the definition and implementation of the Group's management methods and systems;
- the Long-term Planning Department, which coordinates the financial aspects of work related to the strategic plan in cooperation with the Development, Innovation and Markets Department;
- Zone Financial Supervision, which serves as a link between Zone Directors, the Group Finance Department and the Chief Financial Officers for each country (corresponding to the Business Units).

The Group’s Tax Department contributes to the definition of consistent procedures for the management of taxes within the Group. Organized by zone, this department is responsible for applying tax procedures via a network of officers located in the countries where the Group operates. It is closely associated with the accounts closing process for the calculation of the tax expense.

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. Organized by zone, it is responsible for the application of these rules in all the Group's Business Units.

The Standards and Balance Sheet Valuation Department, which reports to the Finance Department, is responsible for defining Group accounting policies in compliance with IFRS and ensuring their correct application within the Group, both for everyday transactions and transactions impacting the Company's assets. This department is also responsible for monitoring, controlling, and measuring employee commitments and valuing Group market transactions (middle-office and control of related financial risks).

The Financial Processes and Standards Support Department, which reports to the Finance Department, seeks to implement harmonized processes and financial reference frameworks defined by 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. Several Group procedures have been revised and implemented at country level. An example is the investment selection procedure.

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, available in French and English on the intranet, **an instruction memorandum** is issued by the Group's Financial Reporting Department prior to each accounts closing. It identifies all of the information necessary for preparing published financial documentation. It also sets out the new accounting regulations and texts and details their application procedures. This memorandum is sent to the Business Units and the Zone Financial Supervisors. The provisional and final financial statements are produced via the financial reporting system.

Upon receipt of the financial statements, review meetings are organized between the Group Finance Department and the Business Units. Their purpose is to verify that the financial statements were prepared according to the rules, to understand changes in the main aggregates and indicators in relation to the previous accounting year and budget forecasts as well as to analyze the substantiation of the main balance sheet components. The Statutory Auditors also have access to the analysis performed by the Group Finance Department through attendance at review meetings at Group and operational level. They also review the relevant procedures.

A Code of Conduct for Financial Professionals was drafted. This code includes a provision for all financial managers and internal control and business process managers to report to both functional and hierarchical management and formally reiterates the responsibility and autonomy of financial managers in the effective performance of their operational control function. The roll-out of this system is supported by training to raise awareness among financial and operational managers of the risk of fraud.

Regulatory context

Over recent years, several laws have increased the reporting and internal control requirements for companies.

Pursuant to the provisions of Article L. 225-37 of the French Commercial Code, Veolia Environnement must report to shareholders in a report prepared by the Chairman of the Board of Directors and approved by the Board, on the composition of the Board of Directors and the application of the principle of balanced gender representation, as well as the preparation and organization of its activities and the internal control and risk management procedures implemented by the Company. The report must provide detailed information relating to the procedures for the preparation and processing of accounting and financial information as well as the principles and rules adopted by the Board of Directors to determine the remuneration and benefits in kind granted to corporate officers and any limits placed by the Board of Directors on the powers of the Chief Executive Officer. This report also sets out the financial risks relating to the impacts of climate change and the measures taken by the Company to mitigate these risks. Since the Law of July 3, 2008, whenever a company voluntarily refers to a corporate governance code drafted by an outside association that represents corporations, the report must also indicate the provisions of such code, which were not adopted, and the reasons for such rejection. Finally, it must detail any specific procedures governing the attendance of shareholders at General Shareholders' Meetings.

The Report of the Chairman of the Board of Directors in application of Article L. 225-37 of the French Commercial Code, which will be presented to the General Shareholders' Meeting of April 20, 2017, as well as the Statutory Auditors' report in application of Article L. 225-235 of the French Commercial Code, are presented in Sections 5.5 and 5.6 below, respectively.

For the preparation of this report, Veolia Environnement has implemented a process to assess the effectiveness of the internal control system primarily based on the roll-out of an electronic application comprised of self-assessment questionnaires and tests, which cover around 70% of the Group's indicators and enable the traceability of the controls performed. This self-assessment is supplemented by controls performed by the internal and external auditors.

This work, managed by the Internal Audit Department, is performed in conjunction with the relevant head of operations or Business Units and in close collaboration with the Statutory Auditors, under the supervision of the Veolia Environnement Audit and Accounts 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).

Legal requirements aside, this system has resulted in key changes, in particular, the introduction of a stringent assessment process that is tailored to the Group's culture and decentralized structure, and a positive momentum that is strengthening Company rules and collective awareness of these issues.

5.3.5 FRAUD REPORTING

As part of the continuous improvement approach, a “Warning and Fraud reporting” internal Group procedure was introduced in June 2015. Under this procedure, managers (zones and countries), financial managers (zones and countries) and legal directors (zones and countries) must inform the Internal Audit Director, the Chief Financial Officer and the Group Legal Director of all fraud or suspected fraud of which they are aware with a direct or indirect impact on the accounts. Three major categories of fraud must be reported:

- **misappropriation of assets**, which consists in an individual, acting in bad faith, using Company assets or credit for a purpose he/she knows to be contrary to the interests of the Company, for personal gain or to favor another company or business in which he/she has a direct or indirect interest (page 12 of the Guide to Managing Criminal Law Risks Faced by Companies, see Section 5.4.1 below): fraudulent expenditure, misappropriation of revenue or receivables, fraudulent wire transfers, misappropriation of cash, misappropriation of intangible assets or inventory;
- **the communication of fraudulent information**, which consists in the violation of rules governing accounting documents (page 11 of the Guide to Managing Criminal Law Risks Faced by Companies), the over-statement of assets or revenue, the under-statement of liabilities and/or expenses, the communication of false accounting and/or financial information, false invoices, etc.
- **other unethical behavior resulting in identified fraud causing loss to the Company**, such as fraud resulting from a conflict of interest (page 7 of the Ethics Guide, see Section 5.4.1 below), forgery, extortion or corruption (page 6 of the Guide to Managing Criminal Law Risks Faced by Companies).

In addition, a reporting system for identified fraud is in place since 2006.

The Audit and Accounts Committee is informed of identified fraud on an annual basis, and more frequently if necessary. Lessons learned from this reporting are incorporated in the regular review of control systems and the development of audit work plans and programs.

In 2016, the Internal Control Department launched a campaign to raise awareness of the risks of new types of fraud.

5.3.6 DISCLOSURE COMMITTEE

The Disclosure Committee was set-up on December 11, 2002.

Committee meetings are chaired by the Chairman and Chief Executive Officer.

In addition to the Chairman and Chief Executive Officer, the Disclosure Committee is comprised of certain members of the Company's Executive Committee, including the Chief Financial Officer, as well as the Group's main functional or operational managers.

According to its internal regulations, the main duties of the Disclosure Committee are to oversee the implementation of internal procedures for gathering and verifying information to be made public by the Company, define the procedures for preparing and drafting reports and communications, review information communicated and approve, 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.

At the end of the Disclosure Committee met once at the end of 2016 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 2016. The Proofreading Committee met in February 2017.

5.3.7 INTERNAL INFORMATION AND COMMUNICATION

The Norms developed by Veolia are published on the Group intranet (see Section 5.3.2. above).

The Business Unit CEOs and CFOs submit representation letters to Veolia Environnement's Executive Management attesting, in particular, to the accuracy of the financial and accounting information communicated to the Company and to compliance with prevailing laws and regulations. As specified in the first part of this report, the Board of Directors' Audit and Accounts Committee works with the Statutory Auditors to review the relevance and consistency of the accounting methods adopted for the preparation of the consolidated financial statements. It is regularly advised on the internal control system relating to financial and accounting information, the main procedures and measures implemented within this framework at Group level, as well as the content and implementation of the internal audit plan.

5.4 Ethics and compliance

Present in 47 countries[(1)] around the world, Veolia is particularly attentive to compliance with values and rules of conduct relating to human and social rights set forth in international laws and treaties.

These values and rules of conduct take into account the Group's cultural diversity and are also in keeping with its commitment to protecting the environment. In addition, the Company makes every effort to promote these values and rules of conduct among all of its stakeholders.

5.4.1 ETHICS GUIDE

In February 2003, the Company implemented the “Ethics, Commitment and Responsibility” program, which was updated in 2004, 2008 and 2011. Further updated in 2013, it is now known as the “Ethics Guide”. It is supplemented by two appendices: the Competition law compliance guide and the Guide to managing and minimizing criminal risk exposure in group operations. This guide is a reference for all Group employees.

The Ethics Guide, available on the Company's website and its intranet, lays out the Company's values, rules of conduct and actions. In January 2014, a new communication campaign emphasizing the importance of the Ethics Guide was launched and disseminated throughout the Group.

Veolia’s core values form the base on which its economic, social and environmental performance is built, and set-out the behavior and know-how expected of all Group employees:

- **Responsibility**: the Group is committed to promoting a harmonious development of territories and improving the living conditions of populations affected by its activities from a public interest perspective, as well as internally, to developing employee skills and improving occupational health and safety;
- **Solidarity:** as the Group serves collective and shared interests through its business activities, this value applies to relationships entered into with all stakeholders. Concretely, it involves developing solutions enabling the supply of essential services for everyone and compliance with a Manager's Code of Conduct to ensure the Group’s fundamental values are shared and complied with throughout the world;
- **Respect:** this value guides the individual conduct of all Group employees and is expressed by compliance with the law and the Group’s internal rules and through the respect shown to others;
- **Innovation:** imagine, create and be audacious in order to develop the environmental services of the future. Veolia has placed research and innovation at the center of its strategy in order to develop sustainable solutions of service to its customers, the environment and society;
- **Customer focus:** seek ever greater efficiency and quality in our services. Listen to customers and strive to fulfill their technical, economic, environmental and societal expectations through our capacity to provide appropriate and innovative solutions.

Since 2010, Veolia Environnement's Executive Management has entrusted the implementation and control of its ethics policy to the Group's General Counsel.

Country managers also serve as ethics officers for the countries under their supervision.

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

5.4.2 COMPLIANCE PROGRAMS

The Group's Corporate Legal Department works to ensure ethical and compliant behavior by providing information and training on antitrust law, legal risk and corruption. It also verifies and validates the legal aspects of internal norms (see Section 5.3.2).

As part of governance measures, Veolia has also implemented and rolled out Group Norms and particularly:

- a suppliers' charter;
- since 2004, an internal Group procedure covering commercial intermediaries, consultants and business agents;
- a legal reporting internal Group procedure;
- an internal Group procedure covering sponsorship and patronage actions;
- an internal Group procedure covering the prevention and management of conflicts of interest;
- an internal Group procedure covering the prevention of criminal law risk, including in particular, awareness-raising and training measures on the fight against corruption;
- a Group alert procedure in the event of fraud with a direct or indirect impact on the accounts;
- financial internal control processes.

The implementation of and compliance with these norms are verified by internal audits.

The Company's approach involves training sessions and campaigns to raise awareness among employees.

In 2004 and 2005, for example, the Company launched an awareness campaign under the title "Ethics and Business Life", which was rolled out to 400 senior managers in France and other countries.

In 2008 and 2009, Veolia Environnement continued these actions by conducting a "Compliance with Antitrust Law" training program, in France and abroad, targeting more than 4,500 Group managers. Refresher training courses were held in several countries from 2010 to 2016. In 2013, an e-learning version of this program, consisting of four modules, was introduced, aimed at 6,000 Group employees around the world.

Since 2009, the Company also designed a training program entitled "Anticipating and Understanding Criminal Law Risk and Corruption Risk". This program has been rolled out within the Group to more than 3,960 individuals (including 850 managers in France) and has continued to be rolled out internationally since 2011 (in the majority of European countries, Brazil, United Arab Emirates, China, Japan, South Korea, Canada, etc.).

In 2012, nearly 500 managers worldwide received training in strengthening fraud prevention and control.

5.4.3 ETHICS COMMITTEE

In March 2004, an Ethics Committee was set up by the Executive Committee to examine any issues or questions relating to ethics. This committee includes three to five members chosen by the Company's Executive Committee. The Committee elects a chairperson from among its members, who does not hold any special rights other than a deciding vote in the event of a tie. Members of the Committee can be employees, former employees or people from outside the Company, chosen from among candidates with good knowledge of the Group's businesses and a job position guaranteeing independence of judgment and the necessary objectivity. The Committee's decisions are made by a majority vote. Its members are subject to a strict obligation of independence and confidentiality and are not authorized to announce their personal position externally. In order to guarantee their freedom of judgment, they may not receive any instructions from the Company's Executive Management and cannot be removed. Their term of office is four years and is renewable.

The role of the Ethics Committee is to make recommendations regarding Veolia Environnement's fundamental values. It also ensures that everyone has access to the Ethics Guide. Any employee may refer any matter that concerns professional ethics to the Ethics Committee, which may also deal with such matters on its own initiative. It may undertake "ethics visits" to the Group's operating sites. The goal of this approach is particularly to assess, through individual interviews with a cross-section of employees who are as representative as possible of the operating site in question, the degree of ethical maturity of employees, their knowledge of the Group's values, the ethical problems that they may encounter and the training that they receive from their hierarchy or provide for their employees on the topic.

Any Group employee who believes there has been a failure to comply with the rules set forth in the Ethics Guide can refer the matter to the Ethics Committee. This whistle-blowing procedure can in particular be used when the employee considers that informing his or her supervising management could result in difficulties or when the employee is not satisfied by the response of the latter. Third parties, external service providers, suppliers, sub-contractors and customers of the Group can also refer any matters within its remit to the Ethics Committee. The committee is vested with the necessary authority to perform this role. On that basis, it is authorized to hear any Group employee, the auditors, and third parties. It can also request assistance from the Internal Audit Department or any other Company department or use the services of outside experts.

In 2016, the Committee reported on its work during the previous year, as it does annually, to the Audit and Accounts Committee and the Executive Committee.

5.5 Report of the Chairman of the Board of Directors pursuant to Article L. 225-37 of the French Commercial Code

In accordance with Article L. 225-37 of the French Commercial Code, the Chairman's report for the 2016 fiscal year includes information on the composition of the Board of Directors and the application of the principle of balanced gender representation, as well as on the preparation and organization of its activities, any limits placed by the Board on the powers of the Chairman and Chief Executive Officer, and the internal control and risk management procedures implemented by the Company, in particular those relating to the preparation and processing of accounting and financial information and the financial risks relating to the impacts of climate change and the mitigation measures taken by the Company. The report also confirms that the Company voluntarily adheres to a corporate governance code, details specific procedures governing the attendance of shareholders at General Shareholders' Meetings and sets out the principles and rules adopted by the Board of Directors to determine the compensation and other benefits awarded to corporate officers. Finally, it details the publication of information provided for by Article L. 225-100-3 of the French Commercial Code.

CONTRIBUTIONS TO THE REPORT

The Chairman's report, as required under Article L. 225-37 of the French Commercial Code, was prepared based on contributions from several departments, including the Group's finance, legal, risk management and audit teams. The Group's Internal Control Departments also actively contributed to the self-assessment of internal control procedures included in the report. These contributions were outlined in a summary presented to the Company's Accounts and Audit Committee on February 15, 2017. The report was written by the Group's Audit, Risk Management, Legal and Finance Departments and was approved by Executive Management. The Chairman's report was approved by the Board of Directors at the Board meeting held on March 7, 2017.

The report is based on the five components of the internal control framework proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), namely the control environment, risk management, control activities, information and communication, and monitoring activities. This internationally recognized framework serves as the Group's benchmark with regard to control.

The Company's 2016 Registration Document includes all the information from the Chairman's report as required under Article L. 225-37 of the French Commercial Code. Please find below references to the sections of the Registration Document corresponding to the different sections of the Chairman's report as approved by the Board of Directors at the Board meeting held on March 7, 2017.

5.6 Statutory Auditors' report prepared in accordance with Article L.225-235 of the French Commercial Code on the report of the Chairman of the Board of Directors of Veolia Environnement

This is a free 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.

Year ended December 31, 2016

To the Shareholders,

In our capacity as Statutory Auditors of Veolia Environnement and in accordance with Article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31, 2016.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L. 225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and,
- to attest that this report sets out the other information required by Article L. 225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report.

These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to prepare this information and the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the report of the Chairman of the Board of Directors prepared in accordance with Article L. 225-37 of the French Commercial Code.

Other disclosures

We attest that the Chairman's report sets out the other information required by Article L. 225-37 of the French Commercial Code.

The Statutory Auditors
French original signed by
Paris-La Défense, March 15, 2017

KPMG Audit
A Division of KPMG S.A.

Jean-Paul Vellutini   Karine Dupré

ERNST & YOUNG et Autres

Gilles Puissochet   Xavier Senent

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CORPORATE SOCIAL RESPONSIBILITY AFR

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

6.1 Sustainable development commitments

Because the sustainable development of the planet is essential, because the sustainable development of the regions where the Group operates is its raison d'être and because the well-being of its employees impacts its performance, Veolia confirmed in 2014 its sustainable development commitments in three areas:

- **resourcing the planet (see Section 6.2 below);**
- **resourcing the regions (see Section 6.3 below);**
- **for the Company's men and women (see Section 6.4 below).**

These commitments are supplemented by 12 objectives set for 2020, each of which is sponsored by a member of the Executive Committee.

	Commitments	2020 Objectives	2016 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	€3.5 billion (estimated)[1]
2	Contribute to combating climate change	Achieve 100 million metric tons of CO_2 equivalent of reduced emissions over the period 2015-2020	29 million metric tons
		Achieve 50 million metric tons of CO_2 equivalent of avoided emission over the period 2015-2020	12 million metric tons
		Capture over 60 % of methane from landfills we operate.	53%
3	Conserve and restore biodiversity	Carry out a diagnosis and deploy an action plan in 100% of sites with significant biodiversity issues	40%
Resourcing the regions			
4	Build new models for relations and value creation with our stakeholders	Have established a major partnership based on creating shared value in every zone and every growth segment	Examples of some major partnerships that have been signed: Danone, IBM, Takeei, EPM, Swiss RE
5	Contribute to local development	Maintaining expenditure reinvested in the regions above 80%	84.8%[2]
6	Supply and maintain services crucial to human health and development	Contribute to the United Nations sustainable development objectives, in the same way as we contributed to the Millennium Development Goals	Number of people connected to[3]: • drinking water: 7.2 million • sanitation services: 3.3 million
For the Company's men and women			
7	Guarantee a safe and healthy work environment	Achieve an occupational accident frequency rate of less than or equal to 6.5	9.92
8	Encourage each employee's professional development and commitment	Deliver training to over 75% of employees annually	73%
		Maintain the rate of commitment for managers 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	90%

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 principles adopted by Veolia have also been consistent with various international reference texts, such as the Universal Declaration of Human Rights and its additional covenants, the Organization for Economic Co-operation and Development's guidelines for multinational enterprises.

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 the operational level:

- the **internal Sustainable Development Committee** brings together all stakeholders involved in implementing these commitments. It is responsible for coordinating and conducting the initiatives. The Committee is chaired by the General Counsel and run by the Sustainable Development Department;
- the **Executive Committee** assesses progress on these commitments on an annual basis and monitors the achievement of the 2020 objectives using 12 key indicators accompanied by action plans;
- the **Research, Innovation and Sustainable Development Committee**, one of the Board of Directors' four committees, is responsible for monitoring the Group's social and environmental performance.

All the information published by the Group in Chapter 6 has been subject to a specific external review (see Section 6.6 below). For fiscal year 2016, the indicators noted by the symbol (√) were checked with a reasonable level of assurance.

(1) *See Section 6.2.2 below.*
(2) *Average calculated over the main geographic zones representing 68% of revenue in 2016.*
(3) *In countries with poor access (see Section 6.3.3.1 below).*

6.2 Environmental responsibility

As part of its sustainable development commitments (see Section 6.1 above), Veolia has reconfirmed its environmental commitment to better underscore its inclusion of the challenges facing the planet:

- **Sustainably manage natural resources by encouraging the circular economy;**
- **Contribute to combating climate change;**
- **Conserve and restore biodiversity.**

In addition to the 2020 objectives associated with the three commitments for the planet (see Sections 6.1 above, 6.2.2, 6.2.3 and 6.2.4 below), the Group has broken down its environmental policy into triennial objectives. These objectives apply to the entire Group scope and each entity must supplement, where relevant, these general objectives with local objectives decided on the basis of an analysis of the major environmental impacts identified for its scope.

The new 2016-2018 plan was prepared on the basis of a materiality analysis of the Group's environmental challenges and the Company's strategic and performance plans, both of which were determined on a three-year basis (2018). Accordingly, the selected indicators and the defined objectives take into account the Company's strategic, operational, commercial and sustainable development issues.

6.2.1. ENVIRONMENTAL MANAGEMENT SYSTEM

The Group has managed its environmental impacts using its environmental management system since 2002 and has reported on it since 2004. In 2015, the Group defined a new joint system applicable to all its entities. This system identifies the most significant environmental impacts by activity and highlights the operational and environmental performance of its entities for the major challenges such as energy efficiency, raw material consumption, emissions, etc. It is designed based on a continuous improvement approach, with an annual review to define improvement objectives and integrate risk management.

This common platform is reinforced by locally implemented environmental management systems subject to external recognition (ISO 14001 and ISO 50001 certifications, labels, compliance with contractual commitments, etc.).

6.2.1.1 Management and deployment

Sustainable Development Committee	Chaired by the Group's General Counsel and run by the Sustainable Development Department, it brings together representatives from corporate functional departments and from the various business lines to decide on how the Group implements sustainable development. It defines the strategic orientations and validates the environmental policy, the objectives and the management system.
Group Operations Department	The Environmental Management System (EMS) is steered by Group operational management, supported by the Director of each business unit and deployed by local managers. The Executive Committee monitors its deployment and the results obtained on an annual basis. Within the Executive Committee, the Group Operational Director is responsible for guaranteeing the system's efficiency.
Group Internal Audit Department	It is responsible for verifying the correct deployment of the Environmental Management System and its application by the operational managers.
Risk Department and Risk Committee	It is responsible for coordinating the identification, assessment and control of Group risks, particularly environmental risks. It works with a Risk Committee that brings together the members of the Executive Committee and is chaired by the General Counsel and run by the Chief Risk, Insurance and Compliance Officer. This committee validates and monitors the effectiveness of the action plans implemented with respect to the significant risks identified in the mapping (see Chapter 5, Section 5.2.1 above).

The Group has also implemented a warning system and a crisis management procedure throughout its locations, particularly to monitor environmental risks and violations. These procedures mean that any necessary measures can be taken on a timely basis and at an appropriate level (see Chapter 5, Section 5.2.1 above). No major environmental incidents were reported at Group level in 2016.

Certifications

	2014	2015	2016
ISO 14 001 certifications (% of revenue covered)	67%	67%	68%
ISO 9 001 certifications (% of revenue covered)	77%	75%	71%
ISO 50 001 certifications (% of revenue covered)	7%	20%	28%

6.2.1.2 Employee training and awareness-raising

Training and informing employees about environmental issues is an integral part of the measures put in place by the Group in each of the countries where it operates.

The integration process calls for management training and awareness-raising with respect to environmental issues and the challenges specific to Veolia. The Veolia Campus network provides business units with access to environmental training (see Section 6.4.3.2 *below*). This is supplemented by local training sessions based on identified needs.

Furthermore, to inform Group employees of the major challenges facing society in line with international and political current affairs, the Sustainable Development Department organizes several conferences each year (three in 2016), with presentations by leading specialists.

Each year, the Group runs an internal awareness campaign on World Environment Day on June 5. This is an opportunity for employees to enhance their personal environmental commitment. A jury rewards the best initiatives.

6.2.1.3 Resources dedicated to the prevention of environmental risks

Given the nature of the Group's activities, the amounts allocated to preventing environmental risks, particularly pollution, account for the majority of its expenses and investments. More specifically, industrial investments amounted to €1,485 million in 2016 (see Chapter 3, Section 3.3.2 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 1.5.1 above).

In 2016, the Group continued a policy of selective investment, while maintaining industrial investments that were contractually required or that were needed to maintain industrial assets.

Provisions for environmental risks primarily consist of provisions for costs relating to site closure (including provisions for site restoration, the dismantling of equipment and environmental risks). They totaled €636.9 million in 2016.

6.2.2 SUSTAINABLY MANAGE NATURAL RESOURCES BY ENCOURAGING THE CIRCULAR ECONOMY

In connection with its sustainable development commitment (see Section 6.1 above), *Sustainably manage natural resources by supporting the circular economy*, Veolia has targeted a circular economy revenue of over €3.8 billion[(1)] by 2020. In 2016, estimated revenue[(2)] totaled €3.5 billion.

6.2.2.1 Preserving natural resources

Saving water resources

Reducing the quantity of water withdrawn from resources, whether for its own facilities or those operated on behalf of its customers, is a constant concern for Veolia.

Development and breakdown of water withdrawals by source

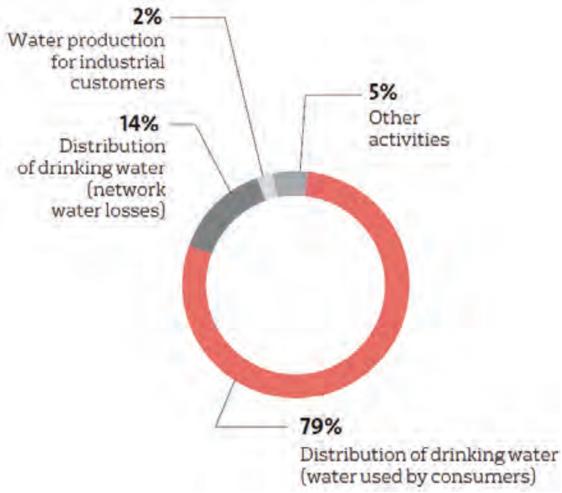
	2014	2015	2016
Total volume of water withdrawn *(m^3)* [(1)]	9,788,592,772	9,858,502,612	9,813,100,474
Volume of water withdrawn directly from the natural environment *(% of total volume)*	95%	93%	93%
Of which *(% volume of water withdrawn from the natural environment):*			
• Volume of surface water withdrawn	79%	79%	81%
• Volume of groundwater withdrawn	21%	21%	19%
Volume of water withdrawn from a distribution network *(% of total volume)*	5%	7%	7%

(1) *For the Energy activity, scope limited to heat production and distribution facilities exceeding 100 GWhTh.*

(1) *The activities taken into account are the recovery of solid,liquid and hazardous waste, by-products and sludge, water reuse, energy performance contracts, heating, steam and cooling network operations using over 50% of non-fossil energy, cogeneration, and multi-activity industrial service contracts.*

(2) *Forecast revenue taken from the Group's growth plan.*

Breakdown of water withdrawals by activity in 2016



The largest withdrawals made or managed by the Group are those related to its drinking water production and distribution activity (94% of the total volume withdrawn). In 2016, 8.5 billion m³ of drinking water were produced in the 4,052 production plants operated by the Group under its contracts with local authorities and 9.2 billion m³ were distributed across a network of 310,011 km.

Proposing technical solutions

Veolia is firmly committed to optimizing water cycle management and saving what is at times a scarce resource. It offers a wide range of technical solutions to its customers, designed to:

- protect resources (identification of chronic sources of damage to resources, prevention of accidental pollution and creation and supervision of protected areas);
- optimize their long-term management (resource monitoring, long-term water withdrawal management, controlled use of resources, improved network efficiency, combating fresh water parasites, managing demand, etc.);
- develop alternative resources, where needed (water re-use, groundwater recharge and sea water desalination).

When relevant in relation to the local context, these measures are offered to the Group's customers, who then decide whether to apply them on a case-by-case basis.

Monitoring the state of resources and sharing this information

Launched in 2011 by Veolia, in cooperation with various NGOs, universities and environment professionals, the website GrowingBlue.com was designed to help consumers (public authorities, industrial clients and individual customers) to better understand water issues, adopt best practices and prioritize their water footprint challenges based on the local context. It builds on the findings of numerous studies and promotes exchanges with stakeholders on water-related socio-economic issues.

Improving the water footprint

In addition to the proposed technical solutions, Veolia has also developed the Water Impact Index (WIIX), a water footprint indicator that enables decision-makers (companies and local authorities) to make the necessary choices concerning water management and use. It may be combined with the carbon footprint and applies to both public water and wastewater services and industrial customers.

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.

Reducing losses from distribution networks

In many cities around the world, 20 to 50% of water produced is lost as a result of leaks in the distribution networks. Veolia has made reducing losses from networks one of its priorities. On the 2011-2014 pro forma basis, the volume of water lost fell by 8.6%, showing a net improvement for most of the networks managed by Veolia.

Water consumption and efficiency of networks serving more than 50,000 inhabitants

	2015 Pro *forma* (2015–2016)	2016 Pro *forma* (2015–2016)	2018 Pro *forma* objectives (2015–2018)
Volume of drinking water consumed *(millions of m³)*	4,050	4,166	-
Volume of water losses in distribution networks *(millions of m³)*	1,532	1,512	-
Efficiency rate of drinking water networks *(as a %)*	72.6%	73.4% (√)	75%

The pro forma decrease in the volume of water losses in distribution networks was due to the set-up of leak reduction programs (leak detection, breaking up of networks into sectors, improved metering control, etc.). This reflects the Group's ability to improve the efficiency of complex systems.

Encouraging a reduction in consumption

Veolia has developed and now offers its local authority customers tools to raise awareness and empower end-users to manage their consumption (such as the installation of individual meters and incentive-based pricing).

As part of its 2016-2018 environmental plan, Veolia set the following objectives:

- develop smart meter solutions (4.4 million meters in 2016);
- increase the percentage of consumers with a progressive rate (49% of consumers in 2016).

Increasing the re-use of water

Saving resources is also achieved by developing alternatives, for example, the re-use of treated water, which has seen a significant increase in recent years. The Group has set itself the target of increasing wastewater recycling.

Volume of water re-used from collected and treated wastewater

	2014	2015	2016	2018 objectives
Volume *(in millions of m^3)*	312 *	371 *	373	↗

* *The indicator now includes the Waste business in addition to Water. Past results were recalculated accordingly.*

Reducing raw material consumption

The consumption of raw materials (excluding fuels) by Veolia's various activities relates mainly to treatment reagents(1). For the Water activity, predictive regulation of reagents (such as the Predifloc™ process for coagulants) makes it possible to optimize dosage levels and results in an average reduction of 15% in the consumption of reagents. Furthermore, by ensuring that the size of storage tanks is suitable for the needs in question, it is possible to manage supply more effectively, have better-planned consumption and limit the number of trips made by trucks.

The Group has optimized raw material consumption and efficiency of use at several levels of the organization. On the economic front, Veolia adopted a cost reduction objective incorporating savings on raw material procurement and rolled it out to all areas of activity. This is performed in conjunction with the Group's greenhouse gas reduction objectives.

Veolia is firmly committed to the recovery chain, particularly by developing methods for recovering materials from the waste it is given for treatment and the by-products of its other activities. It thus helps third parties to reduce their consumption of raw materials by making secondary raw materials available to them.

Recovery of treated waste

	2014	2015	2016	2018 objectives
Tonnage of waste treated *(millions of T)*	46.4	42.9	44.6	-
Rate of recovery *(materials and energy)* from treated waste *(%)*	65%	68%	66%(√)	70%
Tonnage of recycled materials from dismantling *(t)*		5,012	62,938	↗

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 (see Chapter 1, Section 1.3.2.3 above), also contributes to the supply of recycled materials via dismantling. Waste that is not suitable for materials recovery can be processed for energy recovery using the heat produced by specially designed incinerators and the recovery of biogas produced by the decomposition of landfilled waste.

Between 2011 and 2016, the rate of materials recovery from treated waste rose from 15% to 18%. At the same time, the rate of energy recovery rose from 44% to 50%.

In 2016, the decline in the overall waste recovery rate was primarily due to the increase in tons received for treatment at landfills in China which recover very little energy.

These indicators especially reflect the type of contracts signed by Veolia (with or without recovery). The Group is responsible for developing innovative and efficient waste management technologies and solutions that enable waste recovery (selective collection, materials, energy and organic recovery) and for offering these technologies and solutions to its industrial customers and local authorities, who make the final decision regarding implementation.

Establishing large-scale partnerships to optimize resource management

In 2016, Veolia continued to establish key partnerships with international organizations such as the Ellen MacArthur Foundation, by joining the New Plastics Economy initiative, which seeks to rethink the future of plastics across the global value chain.

(1) *The main treatment reagents are urea, ammoniac, lime, coagulants and flocculants. For optimization purposes, their consumption is monitored internally. Veolia is working on the publication of relevant figures for fiscal year 2017.*

Combating food waste

Veolia has developed a comprehensive business offer for supermarket chains including the treatment of their bio-waste and the recovery on unsold goods for associations, charities and reuse centers.

In 2016, Veolia signed a five-year partnership in France with the social-economy start-up Eqosphère. Based on an *Open Innovation* strategy, this partnership relies on the complementarity between the two players: Veolia offers to accompany supermarket chains in optimizing their recovery of unsold items and bio-waste while Eqosphere sets up optimized sorting processes and trains store employees. This partnership enables customers to reduce their waste volumes and comply with the regulations governing food waste reduction.

Optimizing land use

Towards ecological land management

The Group's landfill sites and water treatment and production sites cover the largest areas. However, these land areas are not fully sealed and the design of these sites and the operating methods implemented by the Group seek to minimize the footprint of its activities by maximizing the percentage of soil favorable to the maintenance and development of biodiversity. As part of its biodiversity strategy (see section 6.2.4 *below*), the Group drafted an ecological management guide for its sites with the support of IUCN France. It combines practical information sheets that facilitate the independent roll-out of favorable measures for ecosystems, to be incorporated when designing and/or managing sites. The conditions governing land use are included in site operating rules and are consistent with the Group's commitment to ecosystem management (the ecological management and development element of the biodiversity commitment in relation to sites and customers).

Redevelopment of landfilling cells

The operation of a landfill site requires landfilling cells to be dug and prepared. When responsible for this task, the Group complies with all obligations regarding surface sealing and the recovery of excavated materials. Once used, the cells are covered as quickly as possible. These measures encourage the development of local ecosystems. The cells are monitored for environmental impacts before being returned to general use. When the entire site is redeveloped, monitoring continues to ensure that the species planted repopulate the area (post-operation phase). These stages are incorporated in the action plans for sites with major biodiversity issues.

Set-up of protective perimeters for water catchment areas

Protective perimeters are established around catchment areas of water intended for human consumption in order to preserve the resource. Within these protective perimeters, human activities that could directly or indirectly damage water quality are prohibited or tightly controlled. In its wellfield operations, the Group conducts voluntary biodiversity-friendly actions (differentiated management of green areas, inventory of animal and plant life, etc.), much like the actions carried out at the Crepieux-Charmy wellfield in Lyon.

6.2.2.2 Reducing pollution and protecting health

Limiting the discharge of pollutants into water

Veolia constantly strives to improve its performance in order to reduce the impact of water discharges from its activities.

The main discharges from facilities operated by the Group are related to its Water activity. Veolia provides wastewater treatment services to nearly 61 million people worldwide and collects 6.4 billion m^3 of wastewater; 5.7 billion m^3 are treated in the 2,928 urban wastewater treatment plants operated by the Group.

Collecting and decontaminating wastewater

To ensure the efficient management of wastewater collection and treatment services, Veolia has developed a comprehensive approach to help public authorities, according to their size and technical and regulatory issues. The guaranteed success of a wastewater project involves clearly defined stages: assessment of needs, definition of a local strategy, guarantee of quality, measurement of service performance and, lastly, communication to residents regarding the impact of the service.

Optimizing the efficiency of treatment processes is an ongoing concern for Veolia, both in terms of operating the facilities under its management and developing new processes.

The average rates of pollution abatement, expressed in BOD_5 and COD, for the wastewater treatment plants operated by the Group are very satisfactory. To assess its overall performance, Veolia set respective minimum efficiency thresholds of 90% and 85%, 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	2018 Objectives
BOD_5 treatment efficiency *(%)*	94.7%	96.0%	96.0%(√)	> 90%
COD treatment efficiency *(%)*	90.2%	91.4%	91.5%(√)	> 85%

(1) The decree of July 21, 2015 on collective sanitation systems and non-collective facilities, with exception of individual sewerage systems receiving a gross load of organic waste less than or equal to 1.2 kg / day BOD5 sets the threshold at 80% for BOD5 and 75% for COD.

A comprehensive range of monitoring services

Furthermore, in accordance with the European Water Framework Directive, systems were implemented, particularly in France, to monitor the flow of a high number of micro pollutants considered as dangerous to the environment, in order to assess the impact of wastewater treatment plant discharges on the ecological state of bodies of water.

Veolia has developed regulatory analysis techniques and offers customers a comprehensive range of monitoring services (sampling and analysis). It has also identified biological tools for measuring the impact of these discharges on target organisms. Where necessary, the Group assists its customers in defining and implementing solutions to reduce or eliminate the discharge of hazardous substances into the natural environment and in managing risks. These solutions can either be implemented at source (for example, by connecting plants and monitoring networks) or take the form of remedial measures (by optimizing processes, introducing additional treatments, etc.).

Limiting atmospheric pollutants

As part of its commitment to fighting pollution, the Group strives to reduce its emissions to below the required regulatory levels by improving the treatment of air emissions and developing more effective technologies (such as the treatment of incineration smoke and low nitrogen oxide (NOx) or sulfur oxide (SOx) emission combustion technologies for thermal energy plants). The Group is continuing its efforts to reduce consumption and encourage the use of cleaner fuels (including low-sulfur fuel oil and coal, natural gas, LNG for combustion facilities or vehicles, and the use of hybrid electric or bi-modal vehicles).

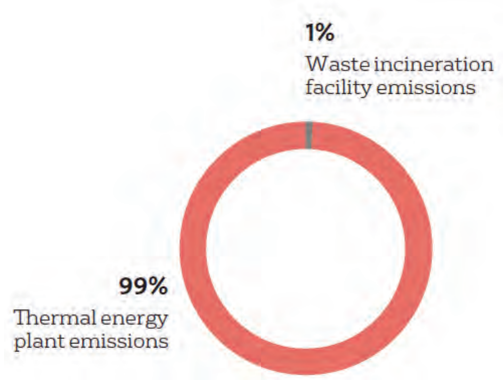
SO_x and NO_x emissions

	2013	2014	2015	2016
SO_x emissions *(in tons)* (1) (2)	68,477	67,570	69,397	69,733
NO_x emissions *(in tons)*	36,927	38,376	40,791	41,236

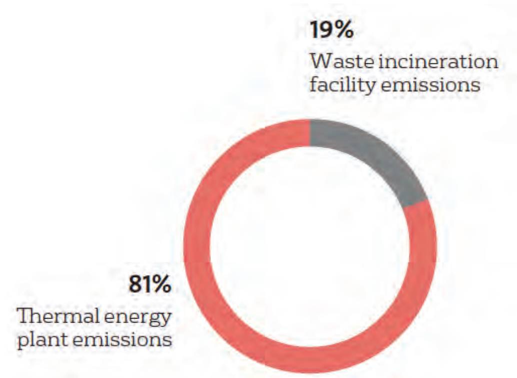
(1) For combustion facilities, the calculation of Sulfur Oxide (SOx) and Nitrogen Oxide (NOx) emissions is based on the European Industrial Emissions Directive (IED) of November 24, 2010. These documents set the maximum values for emissions based on fuel type and facility capacity.

(2) The calculation methods for SOx and NOx emissions may differ depending on the activity. For the Group's waste incinerators, particularly in Europe, dust, TOC, HCl, SO2, HF, CO, NOx and flue flow are measured on a continuous basis. Analyzers provide substance concentration measurements every minute or so. For thermal energy plants, emissions are calculated based on energy consumption and regulatory emission limits for large combustion plants (from 50 to 100 MW). These emission limits have been applied to all energy consumptions, regardless of the size of the facility.
Other methods may be used in response to local requirements, based on emission factors depending on the tonnage burned, with these factors being determined through tests under real operating conditions.

Breakdown of SO_x emissions in 2016 (%)



Breakdown of NO_x emissions in 2016 (%)



Atmospheric emissions from thermal energy plants

Veolia has set itself the target of reducing atmospheric emissions per unit of energy produced.

Average flow discharged by thermal energy plants with a capacity of over 100GWh

	2015	2016	2018 objectives
NO_x *(g/MWh)*	363	322	↘
SO_x *(g/MWh)*	484	295	↘
Dust *(g/MWh)*	17	15	↘

The 2016 decline in NOx, SOx and dust emissions reflected the efforts made by the sites and business/technical centers of excellence to capture and treat air pollutants emitted by heat production plants.

Atmospheric emissions from waste incinerators

Veolia has adopted the strictest regulatory reference - that of the European Union - to evaluate the quality of atmospheric emissions from incinerators worldwide. In 2016, as in previous years, total emissions worldwide fell below the levels stipulated by the European directive.

Emissions from hazardous and non-hazardous waste incineration plants in 2016:

	CO mg/Nm^3	NO_x mg/Nm^3 (1)	SO_x mg/Nm^3	HCl mg/Nm^3	Dust mg/Nm^3	Dioxins ng/Nm^3
Average concentration of emissions from hazardous and non-hazardous waste incineration plants	8.4	128.4	13.1	6.7	1.6	0.02
2018 objectives (2)	< 50	< 200	< 50	< 10	< 10	< 0.1

(1) *For NOx, the standard depends on the output rate: 200 mg/Nm3 for plants > 6t/hr and 400 mg/Nm3 for plants < 6 t/hr.*

(2) *The 2018 objectives were defined using the limit values of the European Directive 2000/76/EC of December 4, 2000, repealed by the Industrial Emissions Directive (IED) of November 24, 2010 and transposed into French law by two decrees of September 20, 2002 (daily averages).*

Recovering residual waste and limiting the production of final waste

Residual waste is the final result of all the recovery and treatment phases. Veolia makes every effort to prevent waste production, seeks new recovery possibilities and, when none is possible, treats any waste produced.

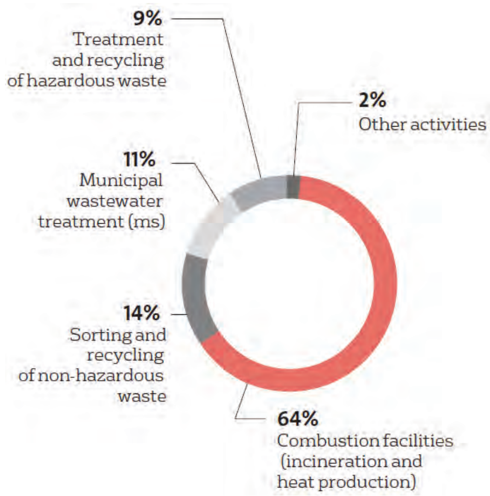
Change in residual waste production

Business lines	Residual waste produced	2014	2015	2016
Water	Sludge produced by wastewater treatment (1) *(kT of MS)*	714	718	676
Waste	Non-hazardous waste produced *(kT)*	3,127	2,941	3,236
	Hazardous waste produced *(kT)*	650	650	705
Energy	Quantity of bottom ash and ash (2) *(kT)*	1,055	1,147	1,251

(1) *For wastewater treatment plants with a population equivalent capacity of over 100,000.*

(2) *For heat production and distribution facilities exceeding 100 GWhTh.*

Breakdown of residual waste production by activity 2016



The main types of waste produced by the Group's activities are bottom ash and residues from incineration, ash and bottom ash related to the combustion of wood and coal in plants, sludge created as a result of wastewater treatment and rejects from sorted waste.

Recovery rate of the main types of residual waste produced by the Group's activities

	2015	2016	2018 objectives
Recovery rate of residual combustion waste *(%)*	56%	58%	↗
Recovery rate of wastewater sludge *(%)*	62%	64%	≥65%
Rate of materials recovery from waste treated in sorting centers *(%)*	90%*	89%*	↗
Production of alternative fuels from treated waste *(kt)*	923	1,097	↗

* *Pro forma 2015-2016*

Limiting and recovering waste incineration residues

Bottom ash is the non-combustible solid residue produced by incineration. It accounts for approximately 20% of the tonnage of incinerated waste. Depending on its origin, its recovery is governed by specific regulations. Depending on its composition and after a period of maturation, it can be recovered as road construction material. Veolia is contractually bound to manage 57.1% of the bottom ash produced by the incinerators that it operates, equivalent to around 1.1 million metric tons. In 2016, it recovered 87.7% of its bottom ash. When bottom ash cannot be recovered, it is stored at a landfill site for household and similar waste.

Residues from the treatment of fumes are stabilized and then stored at landfill sites for hazardous final waste. The amount produced is in the region of 3% of the waste incinerated for household waste incineration plants.

Limiting and recovering thermal energy plant combustion waste

The combustion of solid fuels such as coal, lignite and biomass produces ash that is largely made up of (non--combustible) mineral matter and a small amount of unburned carbon. The amount of ash produced depends mainly on the level of mineral matter present in the fuel - this tends to be low for biomass but can be high in the case of certain types of coal.

The ash produced falls into two categories: “bottom ash” and “fly ash”. Fly ash is transported by combustion gases and is captured by dust removal equipment to ensure that only a tiny amount of dust goes into the atmosphere.

The Group is committed to limiting the waste produced by its Energy activity by improving combustion techniques and treating or recovering waste in accordance with local regulations.

Recovering wastewater sludge

Wastewater treatment produces sludge, which is a concentrate of the organic and mineral material previously contained in the water. Population growth and more effective wastewater treatment systems using increasingly sophisticated treatment methods have led to an increase in the amount of sludge produced worldwide.

To meet the requirements of its customers, public authorities and manufacturers, all of whom are having to manage an ever-increasing volume of sludge on a daily basis, Veolia works to process this sludge in such a way as to reduce the costs related to its management and to recover it in the form of energy and/or products that can be used in agriculture or industry.

Veolia views two recovery options: organic recovery (manuring or composting), when the sludge quality and availability of suitable land permit, and waste-to-energy recovery (anaerobic digestion, use as a substitute fuel, incineration with energy recovery). In 2016, at least 54% of sludge was recovered for use in agriculture and at least 10% was recovered for energy. Veolia ensures that the quality of the sludge is always appropriate for the customer's intended use.

Limiting soil pollution

Veolia is careful not to generate any chronic or accidental soil pollution at any of the sites it operates. It does this by ensuring proper storage and application conditions for the products used, by effectively managing storm water and the effluents produced during treatment processes and by providing resources to remedy any potential accidental spillages.

Prevention and monitoring at landfill sites

Of all the sites operated by the Group, landfill sites have the highest land footprint and use the most advanced technologies. Veolia has introduced minimum standards for the design and operation of these sites. These include, among other things: carrying out geological soil studies; implementing a watertight system made up of a double barrier (active and/or passive, with the application of a geomembrane that has been tested and certified by an external service provider); introducing systems for collecting and treating leachates and surface water on site or at external plants; and monitoring groundwater.

Over the duration of operations and post-operations (at least 20 years), the monitoring program is based, inter alia, on the analysis of surface water, groundwater and discharges. All of the Group's sites conduct self-assessments in relation to these standards. Sites that fail to meet the Group's standards must either propose an action plan showing how they intend to achieve compliance, demonstrate that equivalent measures are in place, or obtain special dispensation on the basis of additional monitoring measures.

Veolia is also committed to restoring and maintaining soil quality through the remediation of contaminated soil and organic recovery of waste and wastewater sludge (see the section 6.2.2 above “Recovering residual waste and limiting the production of final waste”).

Reducing local pollution

The Group works to minimize the local pollution that may be generated across all of its activities.

Limiting, capturing and treating odors

The natural decay of organic matter may generate odorous molecules. As this process is present in a certain number of its activities (such as biological wastewater treatment, composting, household waste collection and landfills), the fight against odor emissions is a constant concern for Veolia, which strives to limit, capture and treat such odors for all affected activities.

Veolia implements solutions directly and works with its customers to identify solutions where these relate to investments for which the customer is responsible. To this end, Veolia has developed technologies and works with partners to treat and control odors (for example, biofiltration treatments, scrubbing and electronic measurement systems). It also implements physical-chemical and biological techniques that limit odor problems. In the event of a perceived nuisance, the Group gives priority to dialogue with the local population. For example, the creation of a “nose jury” made up of local residents who have been trained in the identification of odors, or the introduction of a special telephone line, can be used to better assess the odor problem and take appropriate steps.

Limiting noise relating to waste collection

The issue of noise has become a key concern for local elected representatives. The main problems relating to noise primarily concern waste collection. Veolia carries out research and has developed some particularly innovative solutions, such as a pneumatic waste collection system that significantly reduces the volume of trucks in cities and towns.

6.2.3 CONTRIBUTE TO COMBATING CLIMATE CHANGE

6.2.3.1 Issues at stake

Fifty percent of the greenhouse gas (GHG) emissions (scopes 1 and 2) managed by the Group was generated by its Energy business (mainly arising from the operation of heating networks) and 40% by its Waste business (mainly methane emissions in landfills and CO_2 emissions by incinerators). These businesses represent 20% and 34% of the Group's revenue, respectively. The Water business (46% of revenue) represented 10% of the emissions (mainly due to electricity consumption).

Veolia has taken note of its substantial contribution, as both an operator of significant GHG emitting activities and a solutions provider. In 2016, GHG not emitted due to Group measures represented 61% of emissions (scopes 1 and 2).

Veolia has adopted the conclusions of the 5th assessment report of the United Nations Intergovernmental Panel on Climate Change (IPCC) and is working on the transition to a circular economy logic, guidance for regions and industries on energy transition and the roll-out of solutions to adapt to the impacts of climate change.

In this context, the Group is first and foremost advocating for a scientific accounting of greenhouse gas (GHG) emissions and greenhouse gas reduction trajectories. Accordingly, Veolia sits on the Board of Directors of the independent body responsible for the French accounting of atmospheric pollutants and greenhouse gases, the Interprofessional Technical Centre for Studies on Air Pollution (CITEPA). Veolia took part in the study financed by the Agence Française de Développement (AFD) on the monitoring of GHG emissions and atmospheric pollutants, as part of a Sino-French cooperation.

The Group offers its expertise to its customers to calculate and reduce their environmental footprint, particularly their carbon footprint, via the Veolia Green Path tool.

Veolia has opted to take into account the actual impact of methane in its own reporting. The global warming potential of methane is 28 times higher than that of CO_2 (calculated over 100 years). However, many businesses and countries report with a global warming potential of 25 (4th IPCC assessment report). This choice is therefore a major issue as it increases methane emissions by 12%. Wastewater treatment, waste recovery and recycling activities generate methane emissions that the Group is able to capture and recover for energy based on its expertise.

The 2 degrees and 1.5 degree scenarios for the Group's business sectors (district heating, waste recovery, water production and treatment) are still poorly documented. Veolia is studying the implications of these scenarios with available scientific data and the INDCs[(1)] of the countries where the Group operates. Upstream scientific research is still required before the Group embarks on initiatives based on GHG reduction scenarios, such as the Science Based Target initiative for example.

As from September 2014, Veolia advocated a robust and predictable carbon price by signing the statement issued by the World Bank. In April 2015, the Group showed its commitment by supporting the World Economic Forum's CEO climate leaders' initiative. In May 2015, the Group signed the Global Compact Business Leadership Criteria, the Carbon pricing leadership coalition and that of the AFEP/MEDEF. At the same time, Veolia has set an internal carbon price, increasing from now until 2030, reflecting its vision and changes in the regulations that govern the markets in which it operates and applicable to investment projects.

Active participation in climate change conferences

Veolia participates in the international conference of the United Nations Framework Convention on Climate Change (UNFCCC). At the COP20, 21 and 22, the Group was able to reaffirm its position with respect to mitigation and adaptation to climate change. Veolia seized the opportunity at the COP22 to convey its message to both decision-makers and the public at large. With its partners, the Group organized numerous conferences and debates on various climate change issues: circular economy, ocean biodiversity, access to vital decentralized water and electricity services, adaptation to climate change, carbon pricing, etc. At the same time, the Veolia Institute, together with the Climate and Clean Air Coalition (CCAC), has rallied round innovative solutions to reduce methane emissions.

This was also an occasion to present solutions designed to adapt to natural disasters. Veolia has contributed to the 2050 Pathways Platform via the Nazca Tracking Climate Action platform. Veolia is in particular a member of the CCAC, the Global Alliance for Building and Construction in favor of energy efficiency, Sustainable Energy for all (SE4All) and the Water Alliance.

In connection with its sustainable development commitment (see Section 6.1 above), *Contribute to combating climate change*, the Group defined the following 2020 targets:

- capture over 60% of methane from managed landfills;
- achieve 100 million tons of CO_2 equivalent of reduced emissions[(2)];
- achieve 50 million tons of CO_2 equivalent of avoided emissions[(2)].

The policy designed to combat climate change is coordinated at the highest Group level. The head of the Sustainable Development department, who is also a director representing the Veolia employees on the Board of Directors, facilitates the Sustainable Development Committee which coordinates and initiates the measures relating to the Group's commitments.

(1) *INDC: Intended Nationally Determined Contribution.*

(2) *Over the period 2015-2020.*

The director of the Northern Europe zone, an Executive Committee member, chairs the Strategy & Climate Internal Task Force, that is responsible for rolling out the Group's commitment, "Contribute to combating climate change", within the Group's activities (project funding, guidance for R&I, reporting methods, advocacy policy, etc.).

6.2.3.2 Emissions linked to Group activities

Emissions reporting: the importance of methodological choices

To provide transparency and advice for its customers, for many years now, Veolia has reported on and published greenhouse gas emissions for the scope of activities under the Group's operational control, regardless of the percentage consolidation in the financial statements (see Section 6.5 below).

Since 2016, to provide transparency for investors, Veolia has also opted to calculate the emissions corresponding to the scope of financial assets held by the company: this "equity share" approach helps make the Group's investment strategy clearer and more accessible, in relation, to the Group's traditional business as an operator.

Emissions of the scope held and the scope under operating control(1)

	With a methane GWP* of 28		With a methane GWP of 25
	Equity share approach	Operational control scope	Operational control scope
Scope 1 – 2016 *(million tons of CO2 eq.)*	23.0	28.5(√)	27.6
Scope 2 – 2016 *(million tons of CO2 eq.)*	3.9	5.3(√)	5.3
Total 2016 *(million tons of CO2 eq.)*	26.9	33.8(√)	32.9
Total 2015 *(million tons of CO2 eq.)*	28.3	35.0	34.2

* *Global Warming Potential of the gas compared to CO_2*

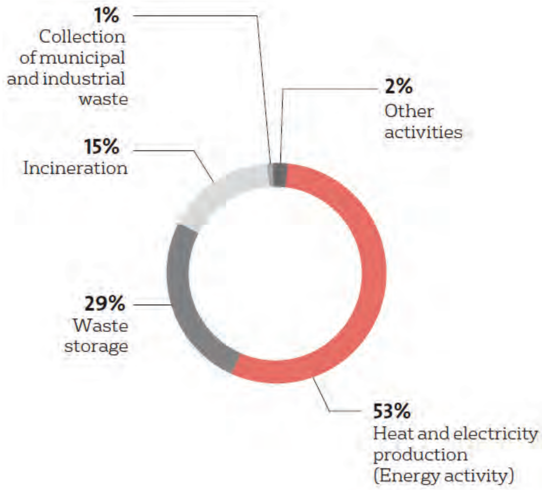
The decline in GHG emissions between 2015 and 2016 was primarily due to a change in scope 2 methodology(2).

The CO_2/revenue ratio (with a methane GWP equal to 28) was 991 tons of CO_2 eq./ million euros for the equity share approach, whereas the ratio was 1,384 tons of CO_2eq. / million euros on the operational control scope.

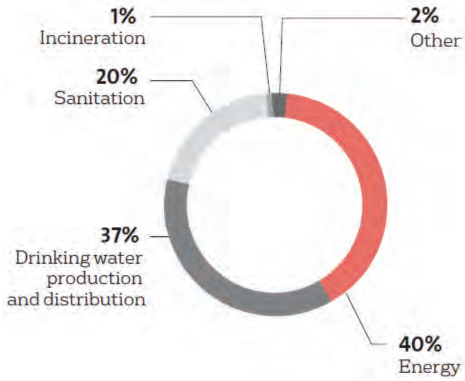
In the rest of this section, the emissions mentioned are those of the scope under operational control, with a methane Global Warming Potential equal to 28 times that of CO_2.

Breakdown by activity of emissions managed by the Group

Breakdown of scope 1 emissions by activity in 2016



Breakdown of scope 2 emissions by activity in 2016(2)



(1) *The GHG Protocol proposes several ways of consolidating GHG emissions. Veolia has adopted:*
- *The operational control approach (GHG emissions fully consolidated for the activities in the operational control perimeter, 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 perimeter (see Section 6.5 below).*

(2) *In 2016, Veolia aligned its scope 2 reporting to the GHG Protocol: emissions relating to heating and electricity purchased and distributed without transformation are accounted for in scope 3. Only the physical losses of heating and electricity distribution networks are still accounted for in scope 2.*

Scope 3 emissions

The Group also assesses greenhouse gas emissions that fall under its control by calculating a part of its third scope. In 2016, emissions linked to employee travel (by air and rail) for the Group's French companies amounted to 10,921 metric tons of CO_2 equivalent. The scope 3 emissions relating to the Group's total electricity consumption and heat and electricity purchases for distribution via the networks operated by the Group amounted to 6.9 and 6.8 million tons of CO_2 equivalent (√), respectively.

Veolia is committed to a responsible purchasing strategy which contributes to reducing scope 3 emissions (see section 6.3.1.7 below).

6.2.3.3 Contribute to reducing and avoiding GHG emissions

A committed player, the Group provides solutions in order to reduce 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).

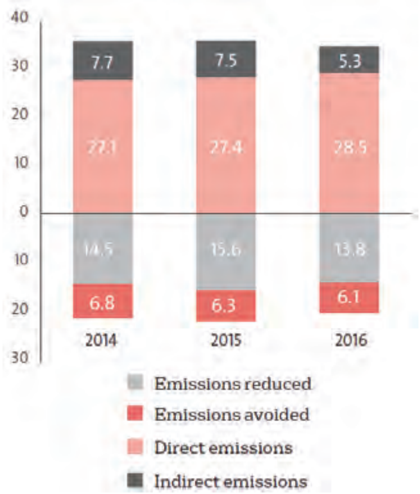
The measures implemented to reduce and prevent GHG emissions, for each business line, are as follows:

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 from biogas recovered in landfills and anaerobic digesters; • Recycling of raw materials contained in waste; • Production of alternative fuels from waste.
WATER Reduction of GHG emissions	• On-site consumption of some of the heat and electricity produced from renewable sources (biogas from sludge digestion, recovering potential water energy using hydraulic micro-turbines, heat pumps, etc.); • 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.).

6.2.3.4 Results from GHG emissions and reduction measures

The change in energy mix for energy production contributed to the reduction in GHG emissions: transition from coal to gas, development of new biomass sites, etc. despite reduced hydraulic production in Gabon due to drought. Nevertheless, direct emissions increased due to the production of methane in landfills. The decrease in reduced emissions was due to methodological changes[(1)] and the shutdown of CHP plants for upgrading, partly offset by the greater use of biomass and recovery gas.

Change in GHG emissions *(million tons of CO_2 eq.)*



Total emissions reduced and avoided since 2015

	2015	2016	2020 objectives
Total emissions reduced since 2015* *(million tons of CO_2 eq.)*	15.6	29.4(√)	100
Total emissions avoided since 2015 *(million tons of CO_2 eq.)*	6.3	12.4(√)	50

* *In 2016, Veolia aligned its scope 2 calculation for the Energy activities to the GHG protocol. The calculation reference scenario for reduced emissions was modified accordingly.*

6.2.3.5 Results from methane capture

In landfills, the breakdown of biodegradable waste generates biogas that is 40%-60% composed of methane.

	2012	2013	2014	2015	2016	2020 objectives
Methane capture rate from landfills (%)	49%	52%	56%	57%	53% (√)	≥ 60%

The rise in the methane capture rate between 2012 and 2015 reflects the Group's policy of creating new extraction wells and enhancing the performance of existing facilities. In 2016, the methane capture rate declined due to a dual impact; an increase in the methane volume produced (relative to the tons of waste stored for several years) and a decrease in the methane volume captured due to several capture system breakdowns at major landfills. The captured methane recovery rate rose from 78% to 81%, reflecting the Group's efforts to recover the methane it captures rather than burn it using a flare.

(1) *In the consideration of emissions avoided by energy production in CHP plants, compared to traditional thermal plants.*

6.2.3.6 Saving and preserving energy resources

Saving and preserving energy resources is a major area of contribution for Veolia when combating climate change. In this area, Veolia is committed to:

- improving energy efficiency, not only in the facilities that it operates, but also through the energy services that it provides
- promoting the use of renewable and alternative energy
- recovering the maximum energy potential from waste or wastewater to be treated and from the facilities that it operates.

The highest levels of energy consumption are naturally found in the Energy business, particularly for the production of heat for municipal heating networks and the supply of heat to industries, hospitals and tertiary buildings. However, energy-related issues also affect the Water and Waste activities, both of which contribute to the Group's consumption and production of renewable and alternative energy.

Change in energy consumption

				Business line contribution *(%)*		
	2014	**2015**	**2016**	**Water**	**Waste**	**Energy**
Total energy consumption *(million MWh)*	116.6	122.8	112.7 (√)	8%	33%	59%
• Of which total thermal energy production *(million MWh)*	105.2	110.7	100.5	2%	35%	63%
• Of which total electrical energy consumption *(million MWh)*	11.4	12.1	12.1	56%	14%	30%

Change in renewable and alternative energy consumption(1)

				Business line contribution *(%)*		
	2014	**2015**	**2016**	**Water**	**Waste**	**Energy**
Consumption of renewable or alternative energy *(million MWh)*	39.4	42.0	42.9 (√)	2%	78%	20%
• Share of renewable or alternative energy used by the Group *(%)*	34%	34%	38%	-	-	-
Consumption of renewable energy *(million MWh)*	24.1	26.6	26.4	3%	68%	29%

Change in energy production

				Business line contribution *(%)*		
	2014	**2015**	**2016**	**Water**	**Waste**	**Energy**
Total thermal and electrical energy production *(million MWh)*	61.1	62.6	53.8 (√)	1%	16%	83%
• Of which thermal energy production *(million MWh)*	45.0	45.0	37.2	1%	9%	90%
Production of renewable or alternative energy *(million MWh)*	15.2	16.1	16.3 (√)	4%	53%	43%
• Share of renewable or alternative energy produced *(%)*	25%	26%	30%	-	-	-
Production of renewable energy *(million MWh)*	10.7	11.7	11.5	6%	41%	53%

The quantities of energy used and quantities sold include the production and sale of heat through to the final customer via the distribution network. Insofar as Veolia only operates the distribution network, the heat is purchased from an external supplier. The corresponding purchases and sales were recorded until recently in the Group's energy consumption and sales. This is no longer the case and only distribution network losses are recorded in energy consumption. The same applies to the electricity distribution activity with no production.

As part of its 2016-2018 Environment plan, Veolia has set a target of increasing renewable and alternative energy production by 5% compared to 2015 in all its activities.

(1) *Alternative energies are energy sources of natural or industrial origin that are lost if not recovered immediately. Renewable energies are energies that can be indefinitely and inexhaustibly renewed.*

Change in renewable and alternative energy production

	2015	2016	2018 objectives
Production of renewable and alternative energy *(million MWh)*	16.1	16.3	↗
Increase compared to 2015 *(%)*	-	+1%	+5%

The renewable and alternative proportion of total energy production increased from 23% in 2012 to 30% in 2016.

Veolia has also defined the following separate objectives according to the specificities of its businesses.

Energy business: generate savings and diversify the energy mix

Veolia is responsible for energy management at more than 37,339 energy facilities worldwide, from district heating networks to housing, commercial and industrial building boilers. Optimizing the energy efficiency of such thermal installations focuses on operating and maintenance quality and their modernization. Heating networks that offer optimized energy performance by concentrating production on a single site and involving co-generation (the simultaneous production of thermal energy and electricity) represent strong growth areas. Veolia is also implementing a policy to diversify its energy mix in favor of renewable energies. The percentage of biomass fuel consumed by Energy business lines increased from 6% in 2011 to 9% in 2016.

2016-2018 environment plan energy performance indicators

	2015*	2016	2018 objectives
CO_2 emissions per MWh of heat and electricity sold *(kg of CO2/MWh)*	359	382	↘
Primary energy savings *(in MWh)* on heat production in CHP delivering more than 100 GWh/year	5,336,805	6,144,259	↗
Energy efficiency of heating networks (%) delivering more than 100 GWh/year	84%	85%	↗
Energy savings (expressed in non-emitted tons of CO_2 equivalent) by optimizing energy services for buildings (e.g.: Hubgrade, etc.)	Not measured	8,850	↗
Percentage of biomass in the energy mix *(%)*	8%	9%	↗

* *2015 is the reference year of the 2016-2018 Environment plan.*

Under its heat production contracts, Veolia is a leader operator in CHP plants. These plants improve energy efficiency by adding simultaneous power production to heat production. As the Veolia facilities are recent, the best available technologies can be used to limit pollution and improve production. The average age of the plants (or their most recent major refurbishment) was 12 years in 2015.

The change in CO_2/MWh ratio was due to the change in methodology for the calculation of energy produced. Since 2016, to ensure greater transparency, heat and power purchased for distribution are no longer included in the energy consumption and production indicators.

Water business line: optimize power consumption and seek self-sufficiency

Veolia is developing its expertise with a view to becoming completely or almost entirely energy self-sufficient for the treatment of wastewater. Indeed, the theoretical energy contained in wastewater is between two and over five times greater than that needed to treat it.

The Group seeks to minimize the energy consumption of the facilities that it operates (water, wastewater, networks and plants) by making an inventory of best practices and sound technological decisions, developing diagnostic tools and carrying out energy audits or certifications - the Water France management system is ISO 5001:2011 certified. The equipment replacement policy also seeks to optimize energy consumption, in a total cost approach.

2016-2018 environment plan energy performance indicators

	2015* (pro forma 2015-2016)	2016 (pro forma 2015-2016)	2018 Objectives (pro forma 2015-2018)
Electricity used to produce drinking water *(in Wh/m3)* by plants delivering more than 60,000 m^3/d	268	264	≤260
Electricity used to treat wastewater *(in Wh/m3)* by wastewater treatment plants with a population equivalent capacity of over 100,000	348	337	≤348
Recovery rate for biogas produced by the anaerobic digestion of sludge *(%)*, for wastewater treatment plants with a population equivalent capacity of over 100,000	78%	79%	↗

* *2015 is the reference year of the 2016-2018 Environment plan.*

At the same time, as part of its search for the best solution for treating wastewater sludge (see Section 6.2.2 “Recovering residual waste and limiting the production of final waste” above), Veolia is researching and evaluating options for waste-to-energy recovery (such as anaerobic digestion and incineration or co-incineration with energy recovery) and is seeking to optimize the energy efficiency of its treatment processes. Furthermore, in cases where it is technically viable and economically advantageous for the customer, Veolia is looking to increase energy output using renewable energy production equipment, such as solar panels or wind turbines. It assesses the amount of recoverable energy by installing turbines at the outlets of wastewater treatment plants, as in the case of Brussels (Belgium). Finally, it is continuing to investigate the use of heat pumps.

An increasing number of wastewater treatment plants are now excellent examples of energy efficiency, such as the Braunschweig plant (with a water treatment capacity of a 275,000 population equivalent), which produces more than 100% of the energy it needs to operate.

Waste business line: gain in energy efficiency and develop recovery

The development of waste-to-energy recovery at sites such as incinerators, landfills and anaerobic digestion plants means that the use of external energy sources to power operations at such sites can be reduced and energy can be supplied to third parties. Furthermore, recycling activity and the provision of solid recovered fuels have also helped to reduce customers' primary energy needs.

2016-2018 environment plan energy performance indicators

	2015* (pro forma 2015-2016)	2016 (pro forma 2015-2016)	2018 Objectives (pro forma 2015-2018)
CO_2 emissions per quantity of energy produced by waste incinerators, excluding waste carbon content *(kg of CO2/MWh produced)*	23.1	22.8	↘
Production of energy by municipal waste incinerators *(kWh / t of incinerated waste)*	707	735	↗
Recovery rate for methane captured in landfills	78%	81%	↗
CO_2 emissions relating to waste collection *(kg of CO2 / km)*	1.33	1.38	↘

* *2015 is the reference year of the 2016-2018 Environment plan.*

6.2.3.7 Adaptation to the consequences of climate change

Veolia has developed solutions to adapt and withstand climate changes, such as:

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

The Group takes restrictions linked to climate change into account throughout its operational plants and implements solutions to help its customers reduce their vulnerability.

At the business unit level, adaptation to climate change is incorporated into the analysis of environmental risks and challenges performed locally. It takes into account the relevant regulatory changes, resource availability, identification of additional requirements/volumes and necessary process changes. Adapting to a possible change in the availability of resources, particularly water, could involve developing and re-using treated wastewater and improving the performance of the distribution network (see Section 6.2.2.1 above).

At the Group level, climate change risks are taken into consideration in the risk mapping process, based on resources, regulatory and market changes, purchases and economic risk (see Chapter 5 Section 5.1.1.5 above).

6.2.4 CONSERVE AND RESTORE BIODIVERSITY

Mindful of its impacts on the environment, the Group is committed, in accordance with French law, to applying the principles of the mitigation hierarchy (a policy known as ERV), in which the first step involves preventing damage to biodiversity, followed by reducing the impacts and finally compensating for them.

The biodiversity commitment undertaken by the Group is also part of the vision, aims and principles of governance of the National Biodiversity Strategy (SNB) launched in France, and which Veolia signed in May 2011. In 2015, to demonstrate its support, the Group set up a voluntary commitment initiative comprising a 2015-2018 action plan covering all its activities in France and abroad. It was officially recognized by the French Ministry of Ecology, Sustainable Development and Energy in October 2015.

This commitment can be split into three parts:

- better take into account biodiversity issues locally and contribute to the design of innovative solutions inspired by nature;
- deploy initiatives for the ecological management of our clients' sites and our own;
- raise awareness, involve more people both internally and externally and promote initiatives put in place in collaboration with local players.

Beforehand, Veolia analyzed the issues connected with biodiversity for each of its business activities, based on the identification of their dependence on ecosystem services and their impacts. The impacts of the Group's activities are connected in particular with the land coverage of its sites, which contributes to soil degradation, the consumption of natural resources and the residual pollution contained in the waste and emissions from its operations.

The biodiversity strategy focuses on:

- managing the impacts relating to discharges and withdrawals within the natural environment of its operations. 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);
- managing and developing areas from an ecological perspective, in order to compensate for the impacts generated by its land coverage. It is first and foremost based on the identification of sites with notably significant biodiversity issues for which action is a priority.

Accordingly, under its Commitment for Sustainable Development (see Section 6.1 above), Conserve and restore biodiversity, the Group defined a 2020 target: carry out a diagnosis and deploy an action plan in 100% of sites with significant biodiversity issues.

	2015 *(pro forma 2015-2016)*	2016 *(pro forma 2015-2016)*	**2020 target*** *(pro forma 2015-2020)*
Percentage of sites with significant biodiversity issues that have carried out a diagnosis and deployed an action plan	31%	40%	100%

* *the list of relevant sites will be revalued in 2018.*

To support the deployment of the strategy, the sites have been equipped with various tools, including:

- the biodiversity diagnosis, developed in partnership with an engineering office specializing in fauna and flora and natural environments, serves as a standard for the ecologists in charge of assessing site 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), 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.

Knowing that natural expertise is needed to set up and monitor actions tailored to regional issues, the Group encourages its sites to forge partnerships with conservation associations.

Indicators were created in 2015 to monitor the roll-out of the strategy and the related tools:

	2015	2016
Number of sites that have set up an ecological management and/or development	141	155
Number of sites that have forged a partnership with a local conservation association	62	47
Number of sites (with or without significant biodiversity issues) that have carried out a diagnosis and deployed an action plan	135	155

The biodiversity strategy is monitored by a biodiversity committee combining the departments in charge of this issue in the Group's entities (head office functional departments, Research and Innovation, and business units). A network of officers located in the countries where the Group operates ensures the roll-out of the Group's strategy through the implementation of action plans, the sharing of best practices and feedback on experience.

Since 2008, Veolia has partnered the French Committee of the IUCN (International Union for Conservation of Nature), which provides expertise for the roll-out of its commitment (drafting of its commitment in relation to the SNB, creation of operational tools, etc.).

6.3 Social responsibility

Social responsibility is expressed and assessed through three Group commitments to regional sustainable development (see Section 6.1 above):

- **Build new models for relations and value creation with our stakeholders;**
- **Contribute to local development;**
- **Supply and maintain services crucial to human health and development.**

The Business Units worldwide are the main players in the implementation of the Group's commitments, in cooperation with the operational departments. These commitments are rolled out through the Executive Committee and zone managers, as well as the country representatives of the operational departments.

The Group is also supported by two entities, namely:

- The ***Fondation d'entreprise Veolia Environnement***, thereafter referred as **Veolia Foundation** (www.fondation.veolia.com), whose priority areas are: development assistance and humanitarian emergencies, support for transition to work and social cohesion, and environmental and biodiversity protection. The Foundation's projects involve all the Group's employees, as sponsors or volunteers.
- In 2016, the Veolia Foundation's financial support to 42 new projects or continuation of action plans represented €2.982 million. By extending the Foundation's mandate for a new five-year term (2014-2018), the Group has confirmed its commitment to a policy of skills-based patronage and financial sponsorship.
- The ***Institut Veolia***, thereafter referred as **Veolia Institute** (www.institut.veolia.org/en), an association governed by the French Law of 1901, and created by Veolia Environnement to carry out forward-looking analyses of emerging challenges related to both the environment and society. This unique platform promotes innovative modes of interaction between the Company and civil society. For all its activities, the Institute draws on a multidisciplinary network of international partners, including the members of its Foresight Committee. Through its international conferences, journals (FACTS Reports and S.A.P.I.EN.S) and studies, it detects and develops reliable scientific knowledge and tried-and-tested best practices in the field, in order to share them with all public and private players involved in sustainable development discussions.

6.3.1 BUILD NEW VALUE CREATION MODELS WITH OUR STAKEHOLDERS

6.3.1.1 Veolia's commitment and approach

Veolia pledges to innovate and work with regional players through initiatives that will create shared value.

The manner in which the Group fits into its environment, manages its employees, and communicates and interacts with its stakeholders, determines its eligibility to produce and sell and commits its "license to operate".

The relationship, previously binary (authority - operator), then triangular (authority - subscriber - operator), has now become multipolar with the emergence of civil society players: NGOs, social entrepreneurs, consumer associations, and solidarity and university players. The arrival of these new players pushed the traditional boundaries of the Veolia businesses and brought about the remodeling of the Company's governance.

In 2016, Veolia pursued its policy of partnership relations in two directions:

- **Collaborations with institutional, national or international bodies, as well as economic players, to sharpen the Group's expertise and know-how in its various businesses.**

  Veolia has regular exchanges with its institutional stakeholders (associations, international organizations, universities, trade unions, etc.) through various discussion forums (working groups, conferences and international events) and has formed partnerships with several of them. Veolia 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. The Group shares its expertise by responding to stakeholders' requirements, their initiatives or issues that have a direct or indirect impact on its businesses.

  Veolia also creates new working relations with its customers or business partners in order to forge innovative partnerships based on shared value creation models.

- **Support measures for the socio-economic development of areas where the Group operates (see Section 6.3.2 below).**

For its employees, Veolia promotes equal opportunities within the Company through its Human Resources policy (see Section 6.4 below).

Convinced that the promotion of employee dialogue contributes to improving local working conditions, particularly in emerging countries, Veolia encourages the creation of employee dialogue forums (see Section 6.4 below).

A Critical Friends committee

Veolia has set up a "Critical Friends" committee in order to draw on the expertise and advice of independent figures. It is made up of about a dozen international individuals, representing associations, institutions and academia, who are willing to contribute their expertise, vision and constructive criticisms on issues linking corporate strategy and sustainable development.

Since June 2013, Veolia's Critical Friends have met once or twice a year: site visits (to help the Critical Friends get to know the Group's businesses and to understand the challenges it faces) and discussions with the Chairman and CEO of Veolia Environnement, as well as the members of the Executive Committee.

6.3.1.2 Dialogue with local stakeholders within the contractual framework

Establishing dialogue with local stakeholders involves, in particular:

- implementing a local management structure to respond to the information and service requests of all inhabitants;
- providing regular information to local stakeholders concerned and/or affected by access to services and changes thereto;
- conducting customer satisfaction surveys to assess service progress and the benefits enjoyed by users and also to better understand the reasons for dissatisfaction and expectations;
- setting up an external communication system to promote new solutions with municipal customers (innovation booklet, innovation meetings, participation in events for the sustainable city, dedicated website);
- taking into account the informal sector.

Accompanying local public authorities

The public-private partnership model for the provision of public services favors constant dialogue with local authorities and administrations. Accordingly, the appropriate discussion bodies in place are clearly defined at the heart of Group governance for ongoing contracts and the frequency and format of interaction is contractually documented.

In parallel, on certain topics, Veolia provides specific expertise to local or national authorities, supporting them in the definition of the strategy for their services to the environment or in optimizing performance. Veolia develops new relational models for creating shared value with these public authorities under performance-based compensation contracts (e.g.: PPS(1) agreements in several North American cities such as New York and Washington; *Optimisation Services* contracts with UK companies such as Anglian Water).

Assisting industrial customers and the tertiary sector

Veolia supports its industrial customers with the development of their activities and helps them to reduce their environmental footprint and attain their social and environmental responsibility objectives.

This cooperation essentially concerns:

- the coherence of Veolia's commitments with the CSR policy applied by its industrial customers;
- the building of new partnership models based on shared value creation;
- the provision of Veolia's know-how and tools (e.g. environmental footprint tools) for optimal management of natural resources, respect for biodiversity and the promotion of a circular economy.

Creating shared value

The roll-out of the partnerships signed in 2015 continued in 2016, with Danone (first ever global alliance for the management of natural resources and the reduction in environmental footprint), IBM (delivery of intelligent solutions for the management of municipal water services, and heating networks), and with Takeei in Japan (development of an AssetCo/Opco partnership for the operation of two biomass plants), and EPM in Latin America (alliance for the development of energy services based on a sustainable economic development approach).

In January 2016, a new partnership agreement was signed between Swiss Re and Veolia, under the aegis of the Rockefeller Foundation. This is the first public-private partnership covering resilience, whose purpose is to help cities the world over accelerate the recovery of their vital infrastructures following the damage caused by natural catastrophes. The first practical implementation of this partnership, in connection with *100 Resilient Cities*, involves New Orleans, with a risk assessment plan intended to optimize preventive actions and reduce post-event losses as well as the recovery time following a shock.

Dialogue with impacted local communities

The Group develops local initiatives to foster dialogue with its customers, local communities, and inhabitants of a region: neighborhood meetings, meetings with local elected representatives and associations, site visits and open days to inform the general public.

The Group also develops mediation actions in cooperation with associations (specifically in France with PIMMS, and VoisinMalin and in Latin America with services dedicated to relationships with consumers and stakeholders, particularly in poorer areas) or social support partnerships for disadvantaged groups (see Section 6.3.2 below).

(1) *PPS : Peer performance Solution.*

Supporting the informal sector

Sometimes in competition (e.g. in recycling) and sometimes in a complementary way, the informal sector can, in certain cases, be a crucial factor in the economics of Veolia contracts. As shown in the two examples below, it is essential that the informal sector and the stakeholders involved be taken into account:

- in Colombia (Cali), a social integration initiative for rag collectors was developed on a landfill site, the "CET Presidente", and 100 rag collectors created two recycling cooperatives which still operate independently. The rag collectors received appropriate training and obtained access to medical services;
- in the Philippines (Manilla), the Veolia Foundation supports the NGO Médecins du Monde, which seeks to improve the working conditions and health of people working in the waste electric and electronic equipment recycling sector. After an analysis phase and awareness-raising regarding best practices and the wearing of protective clothing, the Foundation helped finance dismantling platforms and adapted equipment.

6.3.1.3 Dialogue with representatives of civil society and the academic world

The Veolia Institute: a forward-looking tool

Since 2001, the Veolia Institute has been providing forward-looking insights and developing its activities through constant dialogue in scientific and intellectual circles and with practitioners in the field, such as NGOs, which offer benchmarks for the subjects studied. In 2016, the Veolia Institute focused on developing its FACTS Reports journal, publishing two special issues, the first covering the acceptability of major industrial projects and the second, decentralized electrification, jointly with the help of the Foundation for Studies and Research on International Development. In order to promote its two publications, FACTS Reports and S.A.P.I.EN.S, the Veolia Institute organized conference-debates, calling on authors and specialists at the time of the release. The launching event of the two 2016 special issues was held at Veolia's headquarters, Paris-Sorbonne University and during the COP 22 Marrakech meeting. Because of the NGO observer status it obtained from the UNFCCC, the Veolia Institute was also able to hold an event on methane with the *Climate and Clean Air Coalition* in the COP 22 official zone. The objective was to rekindle awareness on the necessity of action regarding methane emissions, following on the international conference that covered the same issue for COP 21 in 2015.

Other partnerships

Other partnerships reflect the creation of shared value between Veolia and the academic world (e.g. the SnO center (*Society & Organizations*) within the HEC business school in 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 that Veolia joined in 2014, partnerships with Ashoka and *Ticket for Change* regarding entrepreneurial and social business projects). By promoting social entrepreneurship, these partnerships also contribute to local economic development (see Section 6.3.2 below).

6.3.1.4 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 560 global businesses that obtained the "Advanced" level differentiation for its Communication on Progress as part of its association with the UN Global Compact. To strengthen this leadership and promote this commitment among businesses, Veolia chaired the "Advanced club," a collective exchange and learning platform of the Global Compact France network.

As an active member of the World Urban Campaign under the UN-Habitat(1) program, Veolia participated in the UN Habitat III conference, held in Quito in October 2016. As part of an officially scheduled conference event, Veolia assembled several partners from the *The City We Need* initiative and other players in order to debate possible solutions and actions at the regional level to build a safe and caring city.

6.3.1.5 Participation in multi-stakeholder platforms

In its commitment to multi-stakeholder networks or platforms, the Group seeks to achieve synergies with its ecosystem. Hence, Veolia is a player in partnership ventures such as: Vivapolis/Ubifrance, the French Alliance for Cities and Territorial Development (PFVT), the Greater Paris Metropolitan mission, the French partnership for water, competitiveness clusters (Montpellier, Maritime Brittany and Mediterranean water cluster), the coastal conservation agency (Conservatoire du Littoral and Rivages de France) and France Nature Environnement (FNE).

(1) *UN Programme for a Better Urban Future. Its mission is to promote sustainable human establishments at the social and environmental level and universal access to decent housing.*

6.3.1.6 Dialogue with international, European and national authorities

Veolia actively contributes to discussions, consultations and projects on changes in environmental services management initiated by international, European and French authorities, professional associations, think tanks and NGOs.

Pursuant to applicable regulations, these actions are implemented in keeping with its adherence to the Global Compact and within the general framework of the Group's ethics program (see Section 5.4 above).

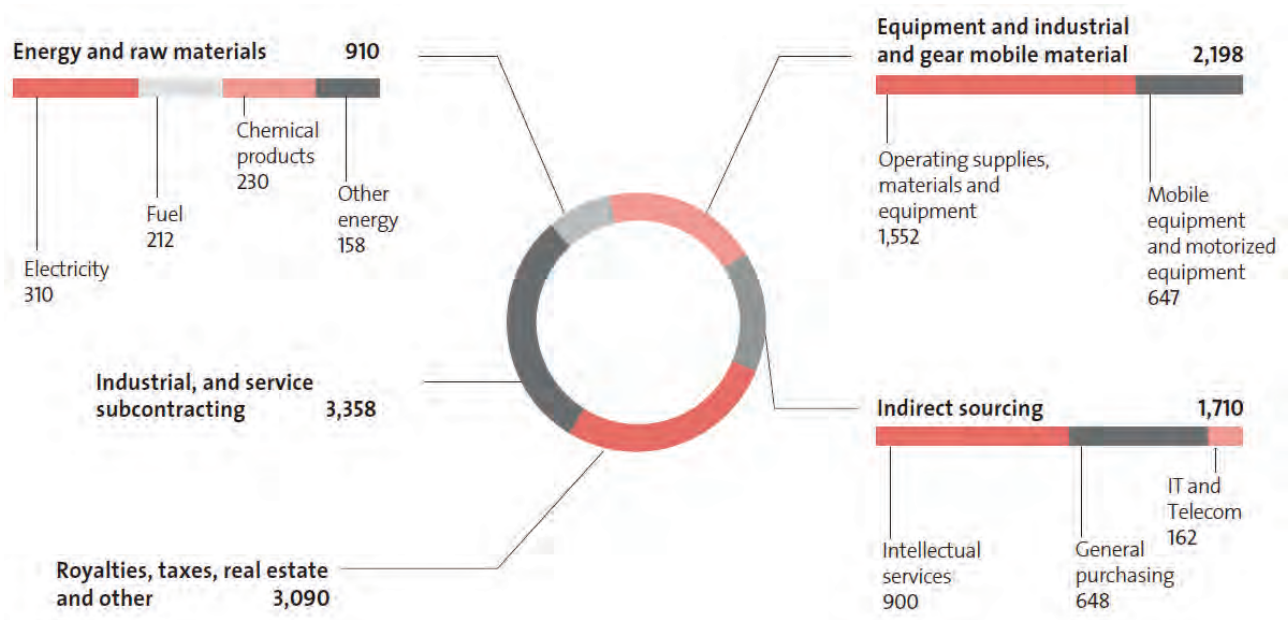
Based on a voluntary approach, Veolia has been listed since 2009 on the register of interest representatives of the European Commission and the European Parliament and registered on the public list of interest representatives of the French National Assembly since 2010 and the French Senate since 2011.

The Group is also a member of the ARPP, the French professional association of parties responsible for relations with public authorities.

Through these memberships, the Group has made a formal commitment to comply with the codes of conduct established by these different institutions. Finally, in 2016, the Group paid particular attention to proposed rule changes governing the representation of interests, introduced by the law on transparency, the fight against corruption and modernization of the economy enacted at the end of the year, and pursued its adaptation work in this regard.

6.3.1.7 Subcontracting and suppliers

Total 2016 external spending(1), *in € millions*



Veolia's purchases are highly diversified and are mainly structured according to the following purchasing areas:

- energy and raw material purchases are locally sourced from domestic players or subsidiaries of international suppliers;
- industrial and service subcontracting concerns maintenance, maintenance 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 companies...);
- equipment and industrial and gear mobile material are at the heart of the business units operated on behalf of the Group's major customers. They represent a significant consumption of energy, and as such are subject to full life cycle costing reasoning. They are mainly sourced from subsidiaries of international suppliers.

(1) *This total amount excludes the LATAM, Hungary, Bulgaria, Gabon, Niger, and Singapore entities, the SEM entities, the international entities of Veolia Industries Global Solutions, and the joint ventures.*

Veolia's sustainable procurement policy is based on the following three principles:

Securing commitment from Group suppliers and assessing their CSR performance:

Sustainable development requirements are progressively incorporated into supplier contracts via a specific clause. This commits the supplier to:

- compliance with the Universal Declaration of Human Rights and the United Nations Convention on the Rights of the Child;
- compliance 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.;
- compliance with the prevailing health and safety prevention policy;
- compliance with regulations concerning the protection of the environment and the implementation of the necessary measures to reduce its impact on the environment;
- making sure that its own suppliers and subcontractors comply with the same obligations;
- and finally, in order to ensure transparency, making available and communicating its commitment policy to Veolia.

This commitment concerns over half of the active contracts in the Group's supplier contract database (nearly 59% in 2016).

Veolia measures the CSR performance of its strategic suppliers using an assessment system. These assessments consist of a documentary audit by an independent service provider, based on twenty-one criteria covering environmental, social, and ethical and supplier relation issues. In the past three years, 49% of the Group's strategic suppliers[(1)], have been assessed (i.e. A-rated suppliers with an annual expenditure exceeding €2 million and/or whose contract or action plan exists for a Business Unit (BU) and/or where the latter already has an assessment).

Incorporating sustainable development in the purchasing process

- The Suppliers Charter is sent via the e-sourcing process at the start of a call for tenders. By accepting this charter, suppliers undertake to comply, among other, with the Group purchasing procedures and commitments in a process of continued improvement, and respect Veolia's corporate social responsibility requirements (roll-out of corrective action plans if necessary, involvement of their own suppliers and subcontractors in this approach);
- In the call for tenders, supplier risks are identified using risk mapping by purchasing category (CSR and economic criteria and purchasing issues);
- The process takes into account the notion of total cost, which, for Veolia, is one of the best practices for responsible purchasing (see the two examples below): it provides a long-term vision of the economic, environmental and/or social aspects of a purchase. The product is repositioned in its environment, based on its functionalities and life cycle. This vision helps to integrate supplier innovation and identify optimization levers.

Energy efficiency management

Veolia Environnement is improving its energy efficiency and reducing its environmental footprint thanks to a new and innovative solution: Hoplights, a French micro enterprise.

This company assesses, leases and provides sites with LED technology lighting equipment in order to reduce electricity costs.

This new concept allowed us to reduce our 2016 electricity consumption for our household waste incinerator pilot site in Ile de France (328 light points):

- 14% reduction in the lighting cost, for savings of €25,000 over the term of the contract (€3,570 x 7 years);
- 17% improvement in the luminous flux;
- highly satisfied shift and maintenance workers (drivers and operators);
- recognition of the project owner/client that has initiated an ISO 50000 certification.

Given these results, the process will be gradually rolled out at the Veolia Group sites.

Management of energy consumption and production in France

Since 2013, the Group's Energies Procurement Department has rolled out a solution for the remote reading of electrical meters at 5,465 sites operated in France, which covers nearly 96% of Veolia's national energy consumption and production. This solution, designed for operations, is used to manage energy consumption and production, identify power demands in real time, optimize the purchase price (electron price, transmission tariff, tax optimization) and compare injection or extraction profiles, simulate invoices and undertake energy efficiency plans.

More than 18,000 connections to the tool were recorded in 2016. These approaches and results confirm the relevance of total cost analysis and the compatibility of the improvement in the environmental footprint with economic gains.

(1) *This rate is explained by the lower number of strategic suppliers in 2016 (29% in 2015).*

Contributing to the development of the local economy

In France, as part of the Water business partnership with the GESAT network[(1)], and in collaboration with the Water business disability strategies in France, the Group Purchasing Divisions have adopted since 2013 an approach to promote procurement from the protected workers sector (signed supported employment (ESAT)/sheltered workshop (EA) contracts, use of a search engine by category and region, awareness campaigns with purchase requestors, etc.). For fiscal year 2016, the expenditure recorded for purchases from the protected workers sector (excluding VAT), rose again to €7.3 million (France[(2)] scope). Furthermore, an indicator is used to measure the weight of the expenditure invested in the local economy (see Section 6.3.2.1 below).

6.3.2 CONTRIBUTE TO LOCAL DEVELOPMENT

Veolia contributes to regional appeal and dynamism by proposing and implementing local, innovative and economically viable solutions that respond to the needs of local authorities and the industrial sector in terms of sustainable development.

The Group contributes to the economic and social development of the regions where it operates through the performance of delegated public services and the significant investments that it makes for the repair, maintenance and development of infrastructures.

A green economy operator, Veolia offers solutions that create:

- environmental value: innovations in key areas of the green economy (water, waste, energy services). The Group helps its clients to reduce their natural resource consumption and carbon emissions and better protect biodiversity. This was demonstrated by the recognition of the National Biodiversity Strategy (SNB) in 2015 and is reflected by the roll-out of a 3-year action plan (2015-2018) for all the Group's activities (see Section 6.2 above);
- social value: access to essential services, employment, local jobs and solidarity;
- economic value: long-term partnership approach, support for SMEs, local innovation, jobs and training.

6.3.2.1 Employment, regional development and solidarity

Veolia, a responsible employer

The Group currently has 163,226 employees and acts as a responsible employer and creator of regional business growth and social solidarity (employment, training and the local economy). The Veolia human resources policy is presented in Section.6.4 below. Its major social/societal impacts in the regions are listed here based on initiatives developed by the Group's companies such as:

- making work-study contracts a priority in external recruitment. The Group is convinced that work-study schemes are an excellent way of acquiring skills, in particular under apprenticeship and professionalization contracts (1,943 trainees in 2016);
- policy of openness towards training sectors (schools, universities): hiring of student interns (3,864 in 2016), Trophées de la Performance (performance awards), summer school student, forums and fairs;
- numerous partnerships: in France, partnerships between the network of regional Veolia[(3)] Campus sites and professionals involved in training, orientation and employment (such as the "second-chance" schools, the Epide and the Conseil National des Missions Locales [French national council of local community organizations]) create pathways for young people who are the most alienated from the workplace to the qualifications that will prepare them for the Group's businesses. By means of its Campus Integration approach for the Greater Lyon region, Veolia created an "Integration through Work" program at the Centre-East Campus. The objective is to reach a rate of 10% for trainees from integration structures, i.e. approximately 20 persons each year. In 2016, 15% of the trainees attending the CE Veolia Campus were eligible for integration programs under the law (i.e. 25 persons). This campus has a dedicated department to support the operational teams in implementing action plans for the insertion of people in difficulty and alienated from work;
- the hiring of people with disabilities and the set-up of national agreements relating to the employment and continued employment of people with disabilities (see Section 6.4.1.1 below);
- support for social integration programs: welcoming individuals on subsidized employment contracts into Veolia contractual activities or activities performed in partnership with integration structures (e.g. recycling/re-use, sorting of office paper of small companies, etc.). In France, Veolia and Elise, partners since 2012 for the collection and recycling of office paper, decided to strengthen their alliance and extend their involvement to all office waste, thus creating 575 jobs from 2012 to 2020 (275 jobs created at the end of 2015). The aim of the partnership with the Envie association is to set up employment gateways between the Envie network and the Group. In the UK, the aim of the partnerships with Blue Sky and Job Centre Plus is the reinsertion of marginalized people and ex-offenders;
- solidarity initiatives tailored to a specific local context: the 2014-2016 Reconciliation Action Plan (RAP) and the North West Waste Alliance in Australia aimed at Aboriginal and Torres Strait Islander peoples, the work undertaken with Kamalini and Shakti Shalini in India (empowerment of women and domestic violence) and Veolia's involvement in the work of the Agencia Colombiana para la Reintegración[(4)], electrification and water supply for small communities in Gabon, etc.

(1) *GESAT = Association created in 1982 for the purpose of promoting the protected and adapted sector and supporting economic players in their relations with this sector.*

(2) *Includes the following entities : Corporate, Veolia Eau France (water France) excluding SEM, SADE, Veolia environmental Services, SARP, SARPI, SEDE and Veolia Water Technologies.*

(3) *Veolia Campus: see Section 6.4.3.2 below or http://www.campus.veolia.com/fr.*

(4) *Colombian Association for Reintegration (as part of the peace negotiations between FARC and the Colombian government).*

Contributing to regional growth

The jobs (mainly green jobs) generated by Veolia's activity, are, by their very nature, impossible to relocate and are largely open to low-skilled individuals. The Group therefore contributes to the growth of regions, their economies and human potential.

Veolia's involvement in regional economic development is reflected in:

- economic partnerships with numerous regional players, theirs local stakeholders (see Section 6.3.1 above);
- support measures for innovation and business creation: with the Veolia Innovation Accelerator (VIA), the Group acts as a technology integrator to detect and assess pioneering start-ups in the cleantech industry and deploy the most innovative of them;
- processes promoting social entrepreneurship such as those managed with IIES, Ashoka (leading global network of social entrepreneurs – 3,000 in 80 countries) and, more recently, with Ticket for change, the purpose of which is to devise mechanisms in order to develop social entrepreneurship on a regional scale. These collaborations, which pool together both the social and fair economy know-how of these entities, as well as their innovative approaches, and the regional network of a company such as Veolia, contribute to the entrepreneurial momentum and help social entrepreneurs to make their businesses more successful, efficient and sustainable. This is reflected in the "Pop Up" approach deployed in four major cities; this new offering is to be rolled out to help cities support innovative social enterprises in line with the Group's businesses; 35 social enterprises were thus assisted (Cresus, Logicité, Koom, Bois & Compagnie, etc.). These initiatives illustrate Veolia's desire to set up partnerships so as to jointly build and create shared value between the various players (government authorities, citizens, entrepreneurs, social entrepreneurship players).

Veolia's expenses are primarily reinvested in the regions, as illustrated by the monitoring indicator of the "Contribute to local development" commitment: 84.8% in 2016 compared to 84.7% in 2015, on average in the main geographic zones[1], the Group target being set at 80% for 2020.

6.3.2.2 The solidarity actions of the Veolia Foundation

Support for transition to work and social cohesion is one of three main aims of the Veolia Foundation. In particular, it supports initiatives and structures that encourage the return to work of people outside mainstream society (e.g. work sites, associations and companies that foster professional integration through economic activity, training, social assistance, entrepreneurial solidarity and microcredit, etc.). The beneficiaries of these projects are primarily young people experiencing major difficulties, the long-term unemployed and people on social welfare.

Multi-year partnerships

Through its multi-year partnerships, the Veolia Foundation supports associations involved with the social and professional integration of the most disadvantaged populations. Some of the most significant partnerships include **Elise** (sheltered workshop, specializing in the collection of office paper, that employs people with disabilities or professional integration difficulties; Elise is to develop its activities throughout France and the Foundation supports its expansion and diversification), **Adie** (association financing and accompanying micro-entrepreneurs with no access to bank loans; with the Foundation's help, Adie has pledged to support over three years 75 young entrepreneurs with the creation of their businesses with a personalized and very rigorous coaching program) and **Espaces** (association dedicated to insertion through urban ecology - operation of a productive garden on the roof of a shopping center).

Since 2005, the Veolia Foundation has supported the **Unis-Cité** association which offers young people aged between 18 and 25 who are conducting their voluntary civic service the chance to work on projects concerning the fight against exclusion, the restoration of social bonds and environmental protection. As such, the aim of the "Médiaterre" program is to provide low-income families with support in changing their behavior (eco-civic behavior: reduction of waste and control of water and energy consumption).

In 2016, the Veolia Foundation also supported some ten associations or companies working to accompany the most disadvantaged in the transition to work and neighborhood social cohesion, including Vega, Tremplin Insertion, Créaquartier, Ateliers sans frontière, Travail & Vie en France and Life Project 4 Youth in India). Working with the Vinci la Cité foundation, the Veolia Foundation launched "Cité solidaire" in 2016, a program to support the neighborhood associations of the city of Aubervilliers (16 associations will be assisted in 2017).

Lulu dans ma rue: *local caretaking and maintenance services*

By backing the *Lulu dans ma rue* project, the Veolia Foundation undertakes to improve social bonds in major cities while promoting the creation of a new economic activity that will create jobs: a local caretaking and maintenance service puts those seeking random services (minor DIY, deliveries, handling, pet sitting, IT assistance, babysitting, etc.) in contact with the relevant service providers. Following the feasibility study in 2014, the Veolia Foundation backed the test phase (launch of the first local caretaking and maintenance service in Paris) and subsequently the development phase. The initial results were extremely encouraging from a social (the local business enabled about fifty employees "Lulus" to obtain financial resources, escape isolation, become active and feel useful – a powerful driver of social mixing) and economic (viable model) perspective, as well as for the local community. Numerous French cities (Brest, Bordeaux, Toulon, Lille, Grenoble, etc.) have expressed their wish to launch local caretaking and maintenance services based on the *Lulu dans ma rue* model.

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(1) *Germany (excluding VWT), Australia (excluding Energy and VWT and New Zealand), USA & Canada (excluding VWT), France (Corporate, Water France excluding SEM, VRVD, SADE, SARP, SARPI, SEDE, VIGS, and VWT in France), UK/Ireland (excluding VWT), Poland (excluding VWT, including Water and Waste), Czech Republic, Japan. These geographic zones represent 68% of Group revenue.*

Philharmonie de Paris: the DEMOS program seeks to democratize culture

By means of its DEMOS program, the Philharmonie de Paris (Cité de la musique) hopes to democratize access to music by creating orchestras for young people from the ages of 7 to 14 who live in neighborhoods falling under the "Politique de la Ville" French urban policy, or in rural zones that are distant from practice sites.

The Veolia Foundation has pledged to support this project over 3 years (€50,000 per year), which facilitates the social integration of young people while creating regional growth.

DÉMOS is based on a long-term written music approach. By means of weekly workshops and internships, each child experiences a total of 150 hours of music in one year, a rate of concentration that encourages absorption and immersion.

Children from the same region rehearse a complete orchestra piece once a month. The purpose is twofold: create an emotion specific to each symphonic work and, from an educational perspective, give meaning to work done in small groups. These rehearsals are the prelude to a public presentation of the learning achieved in the form of a performance at the prestigious Philharmonie de Paris.

This experimental program, designed for three-year phases and initiated in 2010, initially involved 450 children essentially from Paris, Seine-Saint-Denis and Hauts-de-Seine, and then 800 children, half of which were from Isère and Aisne. These first two cycles (2010-2013, 2012-2015) validated the initial process and initiated the program's development.

6.3.3 SUPPLY AND MAINTAIN SERVICES CRUCIAL TO HUMAN HEALTH AND DEVELOPMENT

Veolia is committed to ensuring sustainable access to essential water, waste or energy.

The Group provides drinking water to 100 million people, wastewater treatment services to nearly 61 million people, waste collection services to 39 million people, and supplies heating to close to 7.9 million people worldwide[1].

6.3.3.1 MDG[2]/SDG[3] and the international community

As a global firm, Veolia pays extremely close attention to the objectives set by the international community. Veolia is therefore committed, working with and on behalf of its delegating authorities, to being a key player in achieving these objectives.

Since the definition of the MDG in 2000, the Group has helped 7.2 million people in developing and emerging countries obtain access[4] to drinking water and connected 3.3 million people to sanitation services[5]. In 2016, 647,804 people were newly connected to drinking water services (√)[6] and 305,490 people to sanitation services (√).

Veolia wishes to remain mobilized for UN agencies in implementing the new Sustainable Development Goals (SDG 2015 - 2030) defined by the UN General Assembly in September 2015.

As part of the debate on the SDG definitions, Veolia reasserted the inextricable link between social (poverty) and environmental problems and agreed to integrate a specific goal regarding cities and communities (SDG no. 11) and clean water and sanitation (SDG no. 6).

Access to essential services remains a key issue in the Group's strategy. However, Veolia contributes more extensively to the objectives of the international community through its activities and its commitments.

The Group has therefore initiated a discussion that includes its stakeholders to define a structured, precise and quantified response regarding its overall contribution to the new SDGs.

(1) *The number of inhabitants served takes account of inhabitants directly supplied by a distribution network operated by Veolia and inhabitants receiving water produced by Veolia but supplied by a third party. For distribution, this relates to inhabitants identified according to local practices (INSEE in France) in the region supplied. For production without distribution, the number of inhabitants supplied may be estimated from the volume sold to the distributor based on an average volume distributed per day and per inhabitant. The inhabitant data gathered and volumes sold to third parties are updated each year.*
The calculation of the number of inhabitants supplied with wastewater treatment services follows the same principle, using the capacity of wastewater treatment plants in terms of population equivalents when wastewater is collected by a third party.

(2) *Millennium Development Goals: United Nations program 1990 – 2015.*

(3) *Sustainable Development Goals: United Nations program by 2030.*

(4) *Measured using the monitoring indicator for commitment 6.*

(5) *Data obtained from the number of connections set up by Veolia to water and sanitation services, multiplied by an average number of persons per household, in 8 countries where Veolia works to provide access to such services. When the data could not obtained within the deadline using the aforementioned "standard" method (which represents approximately 10% of the data), it is the data from the end of 2015 that is considered.*

(6) *All the information published in this chapter are subject to a specific external review (see Section 6.6 below). For fiscal year 2016, the indicators noted by the symbol (√) were verified with a reasonable level of assurance.*

Initiatives tailored to the local context

The Group has developed a set of solutions tailored to the local context, enabling it to ensure access for all to quality services. Accordingly, the ACCES expertise (technical, financial and institutional, or societal engineering), illustrating Veolia's strategy and commitment, is a set of solutions initially developed for water access in Africa that has now been extended to all countries and services. Veolia is particularly in favor of policies targeted towards more disadvantaged populations and/or districts.

In France, its "Water for all" solidarity program is organized around three types of assistance: emergency solutions to maintain access to water services by offering different forms of financial assistance appropriate to the individual's situation - a payment schedule, debt write-off or water vouchers - providing support solutions to help people manage their budgets and water consumption in a sustainable manner and preventive solutions to alert them to unusual over-consumption.

6.3.3.2 Consumer health and safety measures

Veolia provides drinking water services to 100 million people around the world. With the constant concern of controlling the quality of the water produced and distributed, Veolia has established a water quality control policy that aims to control the quality of water from source to faucet.

It is based on four principles:

- **anticipating:** through scientific monitoring of emerging parameters, particularly new micropollutants such as endocrine disruptors and pharmaceutical product residues, improvement in the analytical methods for detecting these micropollutants and the assessment of their effects on health;
- **monitoring:**
  - by performing more frequent and complex water analyses within shorter timescales, according to standardized methods and using cutting-edge equipment and qualified personnel. In 2016, the regulatory compliance rates governing distributed water were 99.7% and 99.7% respectively for the bacteriological and physicochemical parameters,
  - by monitoring compliance of the largest distribution networks throughout the world;
- **offering solutions** to local communities for operational improvements and for the investments required for controlling water quality across the entire supply chain: maintaining network water quality, safeguarding the production and distribution of drinking water and protecting the resource;
- **informing populations** and ensuring an optimal response in case of accidents or crisis situations: on-call service 24/7, telephone service for responding to consumer concerns, distribution of bottled water in the event of extended disruption to the service, telephone warning system to advise all consumers of any restrictions on consumption and distribution points for bottled water.

Please also see Chapter 5, Sections 5.1.2.5 "Operational risks" and 5.2.2.2.5, "Management of health and environmental third-party liability risks in respect of past and present activities" above.

Veolia and BioMérieux have thus pooled their complementary expertise in order to contribute to the improvement of public health worldwide through a research partnership on the monitoring of drinking water quality. This involves detecting microorganisms present in the natural environment or the network more rapidly.

6.3.3.3 Assistance with humanitarian development and emergency relief

Solidarity is expressed through the services that the Group provides and that contribute to the common good. Combatting insecurity by ensuring access to essential services for people without a water supply, sanitation services or electricity is one of the ways that Veolia is actively committed (see Section 6.3.3.1 above).

Projects carried out in numerous developing countries have shown that it is possible to reconcile service quality and accessibility and advocate respect for the human rights of the populations served (see Section 6.3.4 below).

Solidarity can also be expressed through the direct financing of causes in line with company values (solidarity-oriented companies, associations) or by giving Veolia employees the opportunity to devote their working time to a community project, or even through service agreements concluded in France between Veolia and local authorities that form part of decentralized cooperation projects (international solidarity).

6.3.3.4 International solidarity actions by the Veolia Foundation

The Veolia Foundation contributes to extending access to essential services through its international solidarity activities (humanitarian emergencies and development assistance) and has established numerous partnerships in this area. It provides financial support and the skills of the Group's employees (through the Veoliaforce network).

The Veolia Foundation acts in partnership with UN agencies (UNICEF, UNHCR), and major international bodies (Red Cross, Action Against Hunger, Doctors of the World, Doctors Without Borders, International Solidarity Movement, OXFAM, etc.) or in support of States. In August 2014, it signed an agreement with the French Ministry of Foreign Affairs to boost efficiency when responding to emergency humanitarian situations.

Veoliaforce missions

In addition to the humanitarian missions carried out in in Ecuador (April 16 earthquake) and Haiti (Hurricane Matthew) in 2016, the Veolia Foundation was active in Iraqi Kurdistan, as was the case in 2015, in partnership with the NGO Première Urgence – Aide Médicale Internationale (securing the drinking water supply network for the Bardarash refugee camp). The Veolia Foundation also assisted the French Red Cross and the Qatari and Iraqi Red Crescent to supply drinking water to the Khazer 2 camp, lying 30 km east of Mosul in Iraq. This refugee camp is home to 2,500 families, or approximately 20,000 persons. Once treated, the water is stored in two 95 m^3 reservoirs and transported by tanker trucks which supply the camp on a daily basis. The volunteers' mission includes training a team of technicians for facility maintenance.

Working with the French Red Cross in Greece, the Veolia Foundation assessed the supply of drinking water and sanitation at the Ritsona refugee camp. On the island of Chios, near Turkey, the Foundation carried out a water management mission in response to the influx of migrants.

Backing up the Health Ministry of the Democratic Republic of Congo, the Foundation is involved in a long-term program to improve access to water in the fight against cholera (since 2007). The Foundation's participation in a project to restore drinking water infrastructures in the town of Uvira in recent years was also published in the prestigious public health journal PLoSMed: LSHTM (London School of Hygiene & Tropical Medicine) established a direct link between piped drinking water interruptions and the admission rate of patients to the cholera treatment center.

Within the World Health Organization's Global Task Force on Cholera Control (GTFCC), a panel of international experts will work on the association between cholera and drinking water access and strive to establish long-term strategies to durably combat the disease.

Also noteworthy are the support for the network of locally elected women in Cameroon (REFELA-CAM, renewable electrification project), drinking water adduction and electrification projects in Madagascar, assistance to the Fundación para el Bienestar Natural in Mexico, and field studies conducted by Unicef to assess the impact of the WASH initiative in the definition of strategies to eradicate cholera in the Republic of Guinea. In this country, the Veolia Foundation pursued its water access program (commissioning of a solar energy drinking water adduction system and personnel training).

Continuing partnership with Doctors Without Borders

In March 2015, the Foundation signed a partnership agreement for medical humanitarian action with the association Doctors Without Borders (Médecins Sans Frontières). It has thus provided the association with Veoliaforce experts for support in research and innovation projects on issues relating to field activities in areas covered by the Veolia Group's business lines: energy, waste, sanitation and drinking water.

6.3.4 ACTIONS TAKEN TO PROMOTE HUMAN RIGHTS

For some years, the Group has committed itself to respecting the human rights of its employees, subcontractors and suppliers, as well as those of the regional communities where the company operates. This dedication to human rights is found in the sustainable development commitments of Veolia and fundamental values and principles set out in its Ethics Guide.

In 2016, Veolia sought to formalize its respect of human rights through an expressly dedicated Group policy.

The policy is based on eight priority issues covering both the rights of local communities concerned by the Group's activities and fundamental labor rights. It has been rolled out with the zone, country and all operating unit managers concerned.

Coordinated by Group's Sustainable Development Department, the implementation of the "Human Rights" policy is based on a governance structure involving the head office operational departments and the business units. A Human Rights Committee, chaired by the Group's General Counsel, the Executive Committee's sponsor on the issue, is responsible for rolling out the "Human Rights" policy, its appropriation by Group employees and the follow-up of action plans where necessary.

The policy's implementation is gradually rolled out on a practical basis in order to identify areas for improvement and improve Veolia's performance.

As a French group conducting its activities in numerous countries, Veolia strives to ensure that its Human Rights policy is presented to all employees and respected by them, and to promote said policy among its other stakeholders.

6.3.5 PREVENTING CORRUPTION

See Chapter 5, Sections 5.3, "Audit and internal control procedures" and 5.4, "Ethics and compliance" above.

6.4 Human Resources

Veolia's responsibility is to ensure the well-being and fulfillment of its employees. Playing a key role in a culture that is common to all of Veolia's actions, human resources management is founded on the five principles of responsibility, solidarity, respect, innovation and customer focus. The Group's overall performance depends on its ability to attract and retain talent. It is in this sense that Veolia endeavors, as never before, to be an employer of choice for all the regions.

Veolia has chosen to reaffirm its policy governing the company's men and women (see Section 6.1 above), based on three major commitments:

- **Guarantee a safe and healthy work environment;**
- **Encourage each employee's professional development and commitment;**
- **Guarantee that diversity and fundamental human and social rights are respected within the Company.**

To accompany the roll-out of its policy, the Group's HR 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 HR department regularly identifies best practices. By means of this approach, it is possible to identify the actions conducted in coordination with HR priorities, to enhance them and to promote their use beyond their region of origin. 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, HR and business development, operating performance and social commitment. The last edition (2015) resulted in the publication "Social initiatives in 2015: Ideas for progress", which presented nearly 70 social initiatives, selected from 270 initiatives in 34 countries.

The Group uses social reporting to monitor the roll-out of its human resources policies and their performance by means of the Group's social data. The HR information presented below is extracted from the tool.

All the information published in this chapter are subject to a specific external review (see Section 6.6 below). For fiscal year 2016, the indicators noted by the symbol (√) were verified with a reasonable level of assurance.

6.4.1 CHANGE IN THE VEOLIA WORKFORCE

Geographical breakdown in the workforce: 163,226 (√) employees as of December 31 2016[(1)]

(1) Excluding employees from the concessions in China.

Geographical breakdown and change in the workforce over 3 years

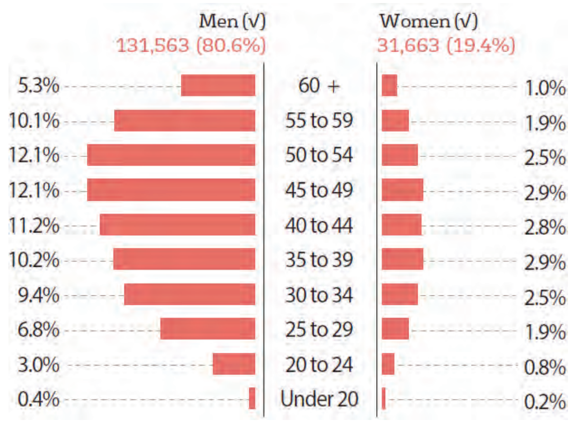
	2014	2015	2016	Change 2016/2015
Europe	118,902	115,593	113,664	-1.67%
• Including France	52,959	51,892	50,480	-2.7%
North America	8,937	8,901	8,841	-0.7%
Latin America	14,089	11,609	12,275	+5.7%
Africa – Middle East	11,949	12,417	12,686	+2.2%
Asia - Oceania	25,631	25,439	15,760	-38%
TOTAL WORLD (√)	179,508	173,959	163,226	-6.2%

As of December 31, 2016, the Veolia total workforce was 163,226 employees, compared with 173,959 as of December 31, 2015.

In 2016, the workforce declined by -10,733 employees, or -6.2%, explained by:

- A decrease of nearly 12,500 employees with respect to outgoing headcount mainly concerning:
  - a change in consolidation method (see Section 6.5 below) for the concessions in China (10,052 employees as at December 31, 2015),
  - a sale of entities in France (including Bartin Recycling),
  - a decrease of nearly 5,400 employees explained by departures or market losses mainly in France, Central and Eastern Europe, and the US;
- An increase of nearly 7,200 employees with respect to acquisitions and/or commercial developments, primarily involving:
  - Kurion for 200 employees,
  - Europe for nearly 3,300 employees, including 1,700 employees in France (specifically Ileo), 750 employees in Germany (waste activities) and 350 employees in the UK,
  - Asia for nearly 1,200 employees in China, Japan and Hong Kong,
  - Latin America for nearly 1,600 employees (Brazil, Chile, Peru, etc.).

Workforce by gender and age in 2016 measured in percentage and value



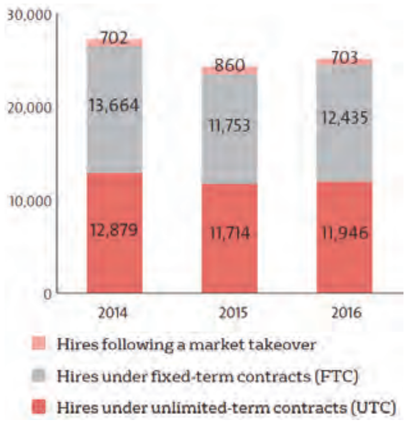
Breakdown of total workforce by type of contract and by category

	2014	2015	2016
Total workforce as of December 31	179,508	173,959	163,226
Annual full-time equivalent workforce	174,856	167,905	156,379 (√)
Share of workforce with unlimited-term contracts	91.2 %	91.1 %	91.5%
Total managerial staff	12.0 %	12.4 %	12.4% (√)
Total non-managerial staff	88.0 %	87.6 %	87.6 % (√)

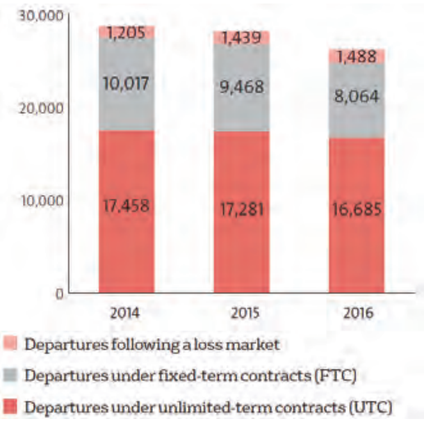
The full-time equivalent workforce corresponds to the number of employees that Veolia would have had if the latter had all worked full-time throughout the year. It is calculated by weighting the total workforce against both the employment rate and the amount of time worked by each employee. This represents the proportion of employee work.

Hires and departures

Number of hires



Number of departures



In addition to contract gains, accounting for 703 employees, the Group recruited 11,946 people on the labor market under unlimited-term contracts (UTC), i.e. 49% of the total number of external hires including nearly 2,400 people in France, 2,000 in the US, 1,700 in the UK, and 800 in Germany.

The Group recorded 12,435 under fixed-term contracts (FTC), of which 2,785 were transformed into unlimited-term contracts during the year, i.e. 22.4%. In addition, 1,901 employees benefited from internal mobility.

Changes in scope are taken into account as of the date they become effective. However, acquisitions, newly created entities or new contracts may be included but only after a full year of operation.

The total number of departures in 2016 was 27,525, with 14% of these being individual dismissals and 2% being collective redundancies, in addition to 1,288 departures through outgoing mobility.

Planned reductions in workforce and job protection schemes, and support measures

The restructuring plans that were implemented in 2016 most often corresponded to the loss of markets, or to reorganization that was vital for certain business units. These operations were always carried out in compliance with the legislation and in consultation with labor representatives, and for the most part by giving priority to internal redeployment within the Group.

Hence, the impacts of the two voluntary departure plans negotiated for the Water France scope in 2014 and 2015 continued in 2016, with 296 departures recorded in 2016 under these plans.

6.4.2 GUARANTEE A SAFE AND HEALTHY WORKING ENVIRONMENT

6.4.2.1 Prevention, health and safety in the workplace

The prevention of health and safety risk in the workplace is an ongoing priority for Veolia. Veolia is committed to ensuring the physical and psychological integrity of its employees at all its facilities.

A commitment shared at all levels of the organization

In 2013, Veolia, represented by its Chairman and Chief Executive Officer, signed the Seoul Declaration on Safety and Health at Work at the headquarters of the International Labor Organization (ILO), recognizing the fundamental human right to a safe and healthy work environment. Veolia is committed to promoting a continuous improvement of occupational prevention, health and safety, employee training and social dialogue on these issues.

Extending to the highest level of the organization, Veolia's process of continuous improvement in prevention, health and safety is formalized by the commitment of the Chairman and CEO. It is built around 5 pillars:

- **involve the entire managerial line;**
- **train and involve all employees;**
- **improve communication and dialogue;**
- **improve risk management;**
- **monitor health and safety performance.**

This process is designed to support the efforts already initiated in this area, by reinforcing the involvement of all employees at all levels of the organization, as well as suppliers, subcontractors and joint venture partners, in order to ensure their physical and psychological integrity.

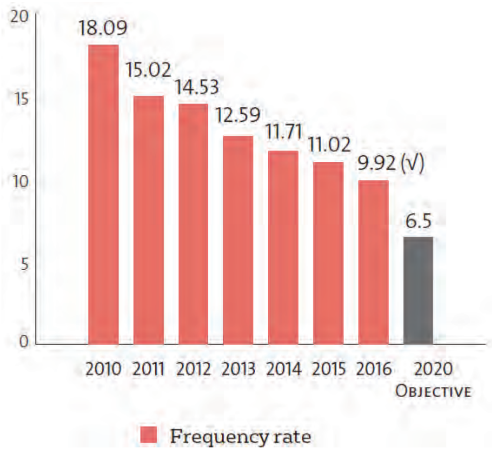
A continuous improvement approach

To visibly communicate their involvement and commitment, all management level, from Executive Committee members down to first-level supervisors, are encouraged to conduct safety field visits so they can engage in frequent dialogue with employees on best practices and safe behaviors. Moreover, the comprehensive assessment of management performance includes a criterion on performance improvement in Prevention, Health and Safety, and it is included when calculating the variable portion of managers' compensation, based on responsibilities held.

The work accident frequency rate, which corresponds to the number of lost time injuries by million hours worked is an integral part of the sustainable development commitments. The Group has set a target frequency rate of 6.5 by 2020.

This commitment, shared by everyone, has been generating tangible results since 2010. In fact, the frequency rate has been declining steadily, from 18.09 in 2010 to 9.92(√) in 2016.

7-year trend in the work accident frequency rate



International Health and Safety Week

In order to firmly establish a health and safety culture at work, Veolia decided to hold a second International Health and Safety Week, which took place from 19 to 23 September 2016. It has set an ambitious objective: "Zero accidents." Each employee, regardless of his or her country, region or department, was to acquire a thorough understanding of the prevention standards covering risks during this major event. This event was the starting point for the roll-out of the first five standards governing the management of high-risk activities (work in confined spaces, excavation or trench work, handling of hazardous materials or chemicals, hotspot work, circulation while at work).

Communication tools (posters, videos, roadmap, and roll-out guide) have been made available to support the roll-out internationally. These tools have raised employee awareness to an optimal level in order to reduce if not eliminate risky behavior.

Because of this mobilization, the week was an opportunity to develop some one hundred health and safety initiatives worldwide and served as a lever for meeting the "zero accidents" global challenge.

A joint commitment

Stronger prevention and accident analysis are essential components of labor relations. As a result, over 18%(√) of the agreements signed in 2016 covered Prevention, Health and Safety.

In Europe, this commitment resulted in the signature in 2012 of a letter of undertaking between management and the employee representatives on the Group's European Works Council. This commitment ensures the consistency of site initiatives in each European country where Veolia operates. The structural themes of this joint commitment include systematic accident analysis, reinforcement of prevention in occupational health, specifically the factors relating to hardship, and improved social dialogue on health and safety topics.

A structured management system

More than a mere policy, Prevention, Health and Safety is an integral part of all the organization's activities and structural processes.

The center of excellence in Prevention, Health and Safety, composed of some twenty international experts, proposes strategies for Prevention, Health and Safety to the Executive Committee for approval and implementation. It coordinates the Group-wide projects, creates synergies between the businesses by encouraging the sharing of best practices, and evaluates the results using performance indicators. In addition to these projects, a number of Prevention, Health and Safety experts have been appointed across the Group to ensure the consistency of the measures applied by country and by region, as well as coordination and follow-up actions. This organization provides a structured and ongoing improvement system which, when supplemented by field visits, incorporates the cultural dimensions specific to each country.

The Prevention, Health and Safety management system is based on risk mapping as near to grassroots work situations as possible, an analysis of the causes and circumstances of accidents, near misses and occupational diseases, and monitoring of the action plans decided as a result of audits. Several annual progress reports are submitted to the Executive Committee in order to verify that the actions conducted fit with the company strategy.

As such, a High Risk Management Standards working group was organized in 2016 by the center of excellence. This work began with an analysis of the history of Veolia's incidents, accidents and fatal accidents in order to draw up a list of high-risk activities that are common to Veolia's business lines. Based on this list, the members of the center of excellence were able to define priorities for the production of standards, the first five of which were guided by internal and external best practices. A roll-out plan was communicated during International Health and Safety Week.

On-site prevention actions

In addition, Veolia has set up structured and determining prevention processes on the basis of standards such as OHSAS 18001 and ILO OSH 2001. Every year, entities are certified, labeled or recognized worldwide for their procedures in prevention, health and safety.

In 2016, nearly 57% of Veolia employees received safety training, and nearly 40% of training hours were devoted to safety. Suppliers are also expected to take the required steps to guarantee the health, safety and wellness of their employees. For subcontracted activities, a preliminary risk analysis is performed in order to contractually define the prevention measures to be applied by all subcontractors, which are audited regularly.

Safety audits of the facilities are carried out before operations commence to detect any risk situations and propose corrective measures. The Group incorporates the risk prevention mechanisms as far upstream as possible in respect of its facility design and building activities, in order to eliminate any likelihood of occurrence and guarantee the health and safety level of future operators. In 2016, 98 audits were conducted on site.

Innovative local practices in the area of occupational health and safety have also been identified and shared across the Group. Several of them were recognized with "Social Initiatives Awards," thus underscoring that the health and safety aspect has been fully incorporated in the corporate HR and social policy.

Security policy

With respect to 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 above.

An analysis tool for occupational disease exposure

All employees benefit from periodic medical follow-up to detect occupational diseases, but particularly to help prevent them.

In order to supplement the tools for identifying workstation accident situations, Veolia designed a Group tool to analyze exposure to occupational diseases, which is shared with the trade union and employee representatives of the Group French Works Council, and is available to all health and safety officers. This tool allows the Company to anticipate exposure to risk factors in order to define and implement a joint action plan. This process has been extended and adapted to the international segment.

In 2016, 192 employees had an occupational disease. It should be noted that information on occupational diseases can show variances in the calculation method because of differences in local practices and regulations.

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 provided with information explaining the prevention programs, particularly during the presentation of survey results. A training program for managers designed to assist them in incorporating awareness of psychosocial risks into their managerial practice has been deployed.

In addition, this process includes an ergonomic analysis of workstations, the promotion of best practices in health and nutrition, and the fight against alcoholism and drug use. Certain operations offer their employees muscle warm-up exercises before they start work.

The UK has instituted 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 work/life balance. In addition to on-line information and multiple support tools, numerous employee initiatives have been undertaken: medical check-ups, awareness-raising regarding 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 in which 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 chosen a common definition of work accidents for all countries and subsidiaries, i.e. , all work accidents, not involving commutes, which resulted in at least one day of absence from work.

In 2016, the number of work accidents, excluding commuting, resulting in at least one day of absence from work declined by nearly 11% compared with 2015.

	2014	2015	2016
Work accidents leading to absence from work (excluding commuting)	3,707	3,332	2,960(√)
Calendar work days lost due to workplace accidents (excluding commuting) (unlimited and fixed-term contracts)	161,000	163,649	162,745(√)
Work accident frequency rate*	11.71	11.02	9.92(√)
Work accident severity rate*	0.51	0.54	0.55(√)
Number of employees trained in safety	101,168	97,609	88,751
Number of authorities dedicated to the study of health and safety issues	1,880	2,388	1,888

* *Including Chinese concessions.*

Accident prevention using the BIRD pyramid

The Group is particularly attentive to employee awareness and the monitoring of near misses.

The Prevention, Health and Safety Department of Veolia relies on the BIRD pyramid to prevent accidents. The Bird pyramid represents a breakdown of risk situations and accidents. There are 5 levels:

- near misses, unsafe acts, unsafe conditions (base of the pyramid);
- first aid injuries;
- medical treatment injuries;
- lost time injuries;
- fatalities.

Its analysis can prevent potential risks upstream. The higher the number of near misses, the higher the probability that accidents will occur. Hence, by working to reduce the number of near accidents at the bottom of the pyramid, the number of serious accidents will be necessarily reduced.

Monitoring of temporary staff and sub-contractors

A system for monitoring temporary staff accidents was set up through annual meetings in order to define appropriate prevention measures and share best practices. The same holds true for sub-contractors where accident "safety" alerts are shared within the Veolia global scope.

6.4.2.2 Work organization

The terms and conditions governing the organization of working time depend on the companies concerned, the nature of their business and where they are located, and are defined in order to best meet the requirements of the department and our customers. Although most often applied to daily equivalent working time, work schedules may vary considerably (for example, the work may be spread over four, five or six days a week, punch-in and punch-out times may be shifted, flextime may be used, as well as alternate short and long work-weeks, and working time may be calculated over the year).

The average work-week was 38.9 hours (√). This figure is stable in relation to 2015.

The total number of calendar days of absence was 2,459,257 (√) during 2016, of which 1,673,184 were days of absence for sickness. Other reasons for absence were mainly work accidents and family events.

The total number of overtime hours worked was 14,617,569 (√), i.e., an average per employee of 93 hours of overtime per year. The definition of overtime, however, varies from country to country, which sometimes makes it difficult to evaluate such an indicator. Moreover, in a service business, a large number of overtime hours are due to emergency work performed by on-call or on-site personnel, to restore water supplies or heating within a reasonable timeframe, for example.

Trend in the absenteeism rate

	2014	2015	2016
Absenteeism rate (excluding maternity and paternity leave)	3.79 %	4.23%	4.43% (√)

6.4.3 ENCOURAGE THE PROFESSIONAL DEVELOPMENT AND COMMITMENT OF EACH EMPLOYEE

The quality of Veolia's responses to environmental challenges and to the growing demands of public authorities and industrial entities depends on its expertise and, more generally, the performance of its labor relations model. This is why Veolia strives to attract, train, develop and retain its staff at all levels of qualification and in all areas of employment in which it operates.

6.4.3.1 Career management

The Group human resources development department seeks to attract and retain talent throughout the world and assess managerial performance in order to accompany our teams and our activities wherever we are established. Organized by zone and by jobline, its dual aim is to meet the skills requirements of the Group's business activities and to provide career opportunities for its employees.

Employee career development is a major focus of Veolia’s human resources management policy. Its implementation relies on various processes and tools.

A managerial and HR process shared by the entire Group

The Group boasts a *Talent management* team with jobline correspondents that are dedicated to employee development.

To link up the challenges faced by the entities, useful organizational change, job mapping and the development potential of employees, the Group uses the ECHOS process (based on peer reviews of people, organizations and structures) to define individual and collective action plans. This approach is based on a common Group methodology that guarantees the fair and shared analysis and adds to the career development momentum within the Group.

Mobility and recruitment tools

An international mobility committee	It assembles the HR development team and the international HR teams on a monthly basis.
A career portal	It publishes all job opportunities 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	PANGEO is a program that offers an international experience for 12 to 24 months to young talent under the age of 28. Based on the PANGEO program, Veolia is able 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.

With respect to the Group's operations in France, the employment policy continues to be affected by the Group's sweeping reorganization, requiring the pursuit and optimization of a tight hiring management policy, as solidarity within the Group is essential. A monthly meeting dedicated to mobility in France assembles all recruitment and mobility managers.

A common model for performance assessment

In order to ensure that managers' objectives are aligned with the Group's strategy and values, a unique annual interview process is used for all managers at all our sites worldwide. This format harmonizes the criteria and provides a common language to define individual objectives and adapt the Group's strategy. The Group is thus able to assess performance and skills, share the Group's values, identify development needs and career prospects, and implement the necessary measures.

The evaluation of performance is based on financial, safety and qualitative objectives, taking into consideration an employee's place in the hierarchy and their position. For managers, some of the qualitative objectives are based on compliance with and dissemination of the Code of Conduct, which is to say the Group's founding principles: respect, solidarity, responsibility, innovation and customer focus. Job safety is a priority objective for Veolia. Regardless of function, hierarchical level, or working environment, all employees can contribute to achieving the zero accident objective, communicating or preventing a dangerous situation, or avoiding accidents. This the reason why the annual interview now includes a health and safety segment in which each employee makes a person commitment in this regard and pledges to respect it. The values of Veolia are naturally included in this objective.

Relations with schools

The mobilization of sought-after resources for its current and future needs, in term of both quantity and quality, is a priority for Veolia: Veolia is affirming 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 “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 apprenticeship option

Apprenticeship is a key recruiting tool for helping young workers into stable employment, particularly in France, UK and Germany. This is Veolia's route for preparing employees to conduct the Group's jobs. Apprenticeship ensures the transfer of knowledge and key skills and develops the resources of inter-generational teams through the network of tutors and mentors.

This policy is specifically implemented through the network of Veolia Campuses and a growing number of partnerships with local employment and training players. This proactive approach reaches out to the public and local employment and training partners to raise awareness of environmental activities and services and to facilitate the recruitment of candidates for local jobs, including those with no prior experience.

6.4.3.2 Development of skills

Veolia has developed an ambitious training policy. Hence, under its sustainable development commitments, the Group seeks to provide yearly training to over 75% of employees.

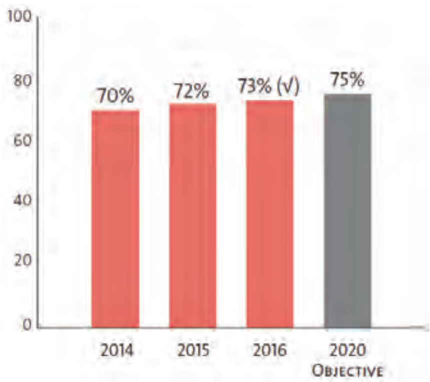
Veolia's main challenges in terms of training are to:

- accompany the Group's strategy;
- support the Group's commercial development and performance;
- continuously adapt skills to increasingly complex activities, particularly via new technology and digital training;
- promote career development.

The range of programs was developed by more than 545 in-house trainers and contributors on the basis of input from the training departments and the local business units. The Group can thus offer training that is always appropriate for the reality of its businesses and what is happening in the field.

The network of Veolia Campuses spans nine countries. Established in 1994, this network now totals fourteen centers, covering two-thirds of Veolia's operating territories and offering nearly 2,470 training programs.

Rate of employees who participated in at least one training course



In 2016, the consolidation method was changed. For each entity, the maximum workforce taken into account is the year's full-time equivalent work force. The published data for 2014 and 2015 takes into account this new formula. This change to a more stringent consolidation method maintains the objective of training over 75% of employees.

Training for all

The training policy is open to all employees from the time they are hired and throughout their career in the Group. The purpose is to develop individuals' skills through recognized courses that lead to certifications and accreditations, job mobility and career development. Over 83% of training hours are aimed at operators and technicians.

Degree training programs

The Group offers recognized degree and certification training programs to ensure the full recognition of skills. The purpose of this approach is motivate employees, increase their employability and allow them to acquire skills, which is a key competitive asset in a service business. For more than twenty 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 thus offers 18 recognized professional diplomas, ranging from a CAP (certificate of professional aptitude) to a Master's degree under work-study programs that are organized to better integrate trainees within our entities.

The UK Campus offers the possibility of 16 work-study diplomas: 12 diplomas equivalent to the CAP and 4 diplomas equivalent to the professional baccalaureate.

Veolia trains Veolia

The Group is both the main actor and the director of its training policy. Two thirds of the training hours provided by the Campus network and the Veolia training centers in France are delivered by Group employees. Striking a balance between permanent trainers and ad hoc contributors from within the Group's companies ensures the content's relevance and enhances cohesion.

At the same time, e-learning has become a key development strategy for employee training. Accordingly, several e-learning modules provide information and training on Group activities.

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 or the Institute of Leadership & Management for manager qualification programs.

For the Latin America zone, an educational partnership agreement was signed with Polytechnic University in Valencia, Spain in early November 2015. The agreement provides for a 3-year program and 300 training hours. This novel educational project comprises classroom and on-line training, as well as individual preparation for 150 managers.

Manager development paths

The Group offers paths to develop the managerial skills defined for Veolia as a whole: the Executive seminar and the Veolia Excellence 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.

Veolia Excellence is the training program dedicated to Veolia talent. The sessions are organized according to three primary areas: business models, value creation, and team management within a context of rapid and profound change. The program is based on innovative training methods, with e-learning sequences, intersessional 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 2016.

A mobile training program covering all functions has been jointly set up for Veolia's Asia zone managers. The STREAM (Study and Training Expedition for Asian Managers) program is thus intended to facilitate the sharing of experiences and the exchange of best practices between managers belonging to the same geographic zone. Zone visits during the various sessions are an opportunity to discover the flagship projects and industry benchmarks of each country. A program of the same kind known as NEST was rolled out for the Northern Europe zone. To encourage cooperation, the programs were concluded jointly between the two zones.

Change in worldwide training indicators

	2014	2015	2016
Number of training hours effectively given	2,858,891	2,889,149	2,591,151
Average number of training hours per employee	16.4	17.2	16.6

6.4.3.3 Manager commitment

Veolia's ambitions and strategy require consistency and cohesion. The Group's executive management accompanies managers in their supervisory role by means of a common value framework and involvement in decision-making. Veolia's effort in this regard has been confirmed through several initiatives.

Manager's code of conduct

In order to strengthen cohesion and solidarity for the benefit of the Group's general interest, Veolia established the Manager's Code of Conduct in 2012. An instrument vital to building the new Veolia, the Manager's Code of Conduct is based on the Group's five founding values: respect, solidarity, responsibility, innovation and customer focus. For each of these values, the Code reflects the Group's collective commitment and the cooperative and individual behaviors expected of managers, which they must promote with their teams.

Manager commitment survey

The manager commitment rate is an integral part of the Group's sustainable development commitments. Veolia has thus undertaken to maintain a manager commitment rate of over 80% by 2020. The second manager commitment survey was conducted in May 2015 with an expanded sample of 5,000 managers (2,500 in 2013). Designed as a tool to gather information on the perception and understanding of managers regarding the Group's strategy and its implementation, the survey highlights the strengths of the Group's managerial policy and the areas where improvement is needed. This new survey provided the means to analyze the response trend in terms of the initial sample and measure any differences in responses. The progress made will be evaluated based on the 2017 survey.

In 2015, the 77% participation rate was 7 points higher than in 2013. Calculated based on the responses covering work fulfilment, desire to excel, confidence in the ability of Veolia to meet its ambitions, and pride in working at Veolia, the 86% commitment score was significant.

In addition to the survey of the "5,000" sample, several countries initiated similar processes in 2015 for all their employees.

A 2016-2017 group action plan

The results of the 2015 manager commitment survey were used to establish an action plan that was produced at the end of 2015 following submissions from the various countries. It was created in line with the Group's 2016-2018 strategic plan. The plan focuses on four priorities:

- support innovation and business momentum with our clients;
- continue to prioritize economic profitability and improve the operating performance;
- emphasize cooperation to consolidate the new Veolia;
- accompany and develop talent so as to boost Group performance.

Each of these focal points is accompanied by quantified development objectives.

In addition, a working group uniting the Group's HR department team and the HR directors of the various countries met in 2016. Its objective was to create a common base of questions to be included in the Group and country surveys, so as to ultimately assess employee commitment beyond the survey of the "5,000" sample.

6.4.3.4 Compensation policy and employee savings

Veolia applies a comprehensive compensation policy that is consistent with the Company's results and accounts for the following components: wages, social protection, employee savings and retirement.

This policy is based on the following principles:

- offering fair compensation in line with the practices of the local markets on which the Group is present;
- guaranteeing competitive fixed and variable compensation that takes account of the Company's results;
- harmonizing the bases and methods for the calculation of the variable components of executive compensation across the Group;
- optimizing coverage of healthcare and insurance costs in the main countries where the Group operates;
- harmonizing existing employee savings plans;
- securing existing pension plans in the various countries where the Group operates by privileging defined contribution plans.

Compensation

The annual average gross compensation for all Group employees was €33,236 in 2016.

Average gross compensation for men was €33,970 in 2016 (€33,558 in 2015), and compensation for women was €30,000 (€29,968 in 2015), for an average difference of €3,970. This difference is due primarily to the nature of the jobs performed and their requirements, as well as variances in age, seniority and qualifications often found between the two populations. 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.

Veolia's policy is to respect equality between men and women who have the same employment conditions and qualifications.

Social protection

Social protection concerns all benefits relating to costs for healthcare (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 abandonment 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.

By way of indication, the 2016 contributions for the 50,480 Group employees in France totaled nearly:

- €53 million for healthcare costs;
- €33 million for additional healthcare and insurance coverage.

Profit-sharing and incentive schemes

The Group's French entities are generally covered by profit-sharing agreements when they fulfil the necessary employee and financial conditions.

In general, the Group favors a policy that expands incentive agreements in France in order to give employees a vested interest in the performance of the companies to which they are assigned, on the basis of criteria tailored specifically to the business in question.

In 2016, the profit-sharing and incentive payments for the French entities including Veolia Environnement, with respect to 2015, amounted to €57,259 million. Amounts invested in 2016 for employees of the French entities in respect of 2015 profit-sharing and incentive payments totaled €23,946, or 41.8% of the sums distributed.

Added to this amount is a contribution from the Group's French entities amounting to €3,344 million.

At the end of 2016, 77.9 % of the employees of the French entities were covered by an incentive agreement.

Accordingly, an incentive agreement applies to all Veolia Environnement employees. This agreement, intended to give employees a vested interest in the performance of the Group and the Company, was renegotiated in 2014. Four indicators were defined for the 2014-2016 period: two financial indicators, a third indicator related to the overall performance of the Group in terms of the safety of working conditions, and a fourth indicator that takes into account increased recourse in France to the protected workers sector.

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 a Group retirement savings plan ("PERCO G") for its employees and the employees of its French subsidiaries under an agreement signed with labor and management partners (December 2012), to allow employees who so wish to prepare for retirement under advantageous tax and social security conditions.

At the end of 2016, the total amount saved by employees(1) in France in the two Group savings plans amounted to €348 million(2) and breaks down as follows:

- €323.2 million with respect to the PEG held by 48,428 employees,
- €24.8 million with respect to the PERCO G held by 24,762 employees.

The company investment funds invested in Veolia shares (employee shareholding) for €80.4 million are held in the PEG(3).

The range of dedicated company investment funds (monetary, equity, bonds, and diversified) for €218.4 million is held in the PEG and the PERCO G.

Employee shareholding

The last transaction took place in 2015. It was offered to approximately 111,000 employees in 20 countries. There were 29,232 subscriptions, for a subscription rate of 26.30% and a total amount subscribed of €19,625,262, including the contribution.

As of December 31, 2016, nearly 57,530 Group employees (i.e. 35% of employees) were Veolia Environnement shareholders, holding 1.07% of the Company's share capital, or €97.9 million.

Pension plans

Pension plans are directly managed in the various countries where the Group operates based on the applicable labor and tax legislation. There are two types of pension plans:

- State pension plans;
- company pension plans (defined benefit and defined contribution plans).

The Group policy in terms of company pension plans is to replace defined benefit pension plans, if possible, with defined contribution pension plans that are more cost-effective.

(1) *And former employees.*

(2) *Given the assets invested in Frozen Current Accounts for a total of €11.3 million.*

(3) *Plus the FCPE Actions Vivendi Universal (Actions VU) (Vivendi Universal company mutual fund)) for a total €47.7 million as of December 31, 2016, which is also part of employee shareholding.*

6.4.4 GUARANTEE THAT DIVERSITY AND FUNDAMENTAL HUMAN AND SOCIAL RIGHTS ARE RESPECTED WITHIN THE COMPANY

6.4.4.1 Promotion of professional equality and diversity and the fight against discrimination

Diversity policy

Diversity is a performance, credibility and equity issue for the Group. To encourage diversity, Veolia implemented a policy several years ago that was 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 HR director, Veolia pledged to guarantee equal opportunity and recognition of individual talent, and to avoid any discrimination based on the criteria stipulated by law.

Moreover, three priorities have been defined with respect to the Group's commitments:

- guarantee fair and non-discriminatory HR processes;
- guarantee the expansion of diversity and gender equality;
- guarantee the advancement of the social dialogue and employee freedom of speech.

Diversity approach

The diversity action plan is driven by a global network of representatives who ensure that the commitments are implemented, establish the diagnostics and action plans appropriate for their specific context, measure the results and highlight innovative measures that support Veolia values.

To measure the impact of its diversity actions, Veolia monitors several indicators:

- **gender equality**: the employment rate of women, the percentage of women managers, the percentage of women executives, and the percentage of women on Veolia Boards of Directors, including whose of the Group;
- **disabled workers**: the employment rate of disabled workers;
- **seniors**: the rate of employment for workers over the age of 55;
- **young people**: the rate of employment for workers under the age of 30.

Roll-out of diversity commitments

Diversity is an integral part of our sustainable development commitments. The Group has thus pledged to guarantee respect for diversities and fundamental human and social rights within the company, and to promote diversity, equal opportunity and the fight against discrimination.

The numerous actions undertaken by the companies to promote Group diversity are developed via the social initiatives process. In 2015, some thirty projects were presented in the Social Equity and Diversity category. In France, it was the initiative of the Veolia waste solutions (Recyclage et valorisation des déchets) "ambassadresses" seeking to encourage and include women in the business lines that won the award in its category. This initiative project was published in the brochure "Social initiatives in 2015: Ideas for progress."

The Group's diversity commitments are reflected in several forms: signature of the "Diversity Charter" by countries, including Spain in 2016; recognition through labels, certificates and rankings. In the UK, *Business in the Community* awarded Veolia the national prize for *Responsible Business of the Year*, and Ireland was recognized as a leader in terms of social and environmental responsibility, after having received the *Business Working Responsibly Mark*.

Long-term partnerships

The Group is a partner and/or a member of various organizations that promote diversity and equal opportunity in the various countries where the Group operates. Veolia has been a partner in United Nations Global Compact since 2003.

In june 2016, Veolia partnered with the *Elles Bougent* ("Women on the move") association, which organizes on-site meetings between female students and women sponsors, engineers or technicians. The accounts of these professionals regarding the reality of their career paths demonstrates that the technical trade option is open to young girls. In signing this partnership, Veolia has extended the actions implemented by the Group's Relations with Schools and Universities department. It is also continuing the process of promoting so-called male jobs with women, an approach that had already been initiated by Waste Solutions (Recyclage et valorisation des déchets).

Veolia has also partnered with the French Association of Diversity Managers (AFMD).

Diversity through sport

Veolia wished to promote diversity by drawing on sport, highlighting team spirit, group success, and universal access to sports, regardless of the ability and performance of its employees. Accordingly, in partnership with the French Federation of Corporate Sports (FFSE), Veolia was again involved in the Diversity Race, which was held at the Stade Jean Bouin in 2016. Over 300 employees participated in this event to help promote the values of diversity.

Gender equality

Veolia must attract talented people at all levels of the Group and in all its businesses. Accordingly, the Group has drawn up an action plan dedicated to gender equality in the workplace so as to:

- develop the gender mix in its operations;
- increase the number of women in the Group's executive bodies and management;
- promote the gender mix in representative bodies.

To encourage diversity and gender equality in the workplace, Veolia has set itself specific objectives:

- women to make up 40% of the Veolia Environnement Board of Directors in 2017 (legal obligation in France);
- women to make up 30% of managers in 2020;
- women to make up 25% of executives in 2020.

In 2016, Veolia met the French legal obligation regarding the 40% women Board of Directors membership. The Group comprises 19.4% of women, of which 25.5% are managers and 19.4% are executives.

Numerous initiatives promoting gender equality in the workplace have been rolled out in the various countries where the Group operates:

- in March 2016, Veolia launched its internal gender equality network in order to assemble all of Veolia's men and women who wish to promote gender equality within the Group. Sponsored by two Executive Committee members, the network already has more than 2,000 employees;
- Veolia in North America has been organizing a development program entitled *"Women In Leadership"* since 2014. The program seeks to create development opportunities for women managers in the organization. In 2015, it was expanded to the UK & Ireland zone. In 2016, this 10-month coaching program welcomed 24 women. It will be rolled out in Europe, Africa and the Middle East in 2017.

In addition, the Group has committed to greater gender equality in its operations: in China, the Water activity has rolled out a gender equality charter; in France, Jean-Marie Lambert, the Group's HR Director, has signed a letter of commitment to combat sexism in the workplace following a survey of working relations between men and women addressed to all employees and conducted in partnership with the Conseil supérieur de l'égalité professionnelle. In France, Veolia Eau reaffirmed its commitment to diversity in 2016 by signing an addendum to its gender equality in the workplace agreement, concluded for a term of three years.

Employment and social integration of the disabled

The percentage of Veolia disabled employees worldwide stood at 2.3%[(1)] at the end of 2016 with 3,356 employees concerned. In France, the 2016 rate stood at 4.06%[(2)], and €7.3 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 the disabled and their integration within the life of the company. The Veolia action strategies are as follows:

- raise the awareness of Group employees regarding disability;
- strengthen job protection for the disabled and accompany them so that their disability is recognized;
- support the ergonomic adaptation of workstations;
- encourage recruitment and sustain employers of the protected workers sector (ESAT in France).

Development of inter-generational relations

In 2016, 18% 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.

In Poland, Veolia Term was thus honored in 2015 for a program designed to facilitate the transmission of knowledge of senior employees and internal recruiting, following the 2015 social initiatives campaign.

Interculturality and religious diversity

Veolia has also pledged to integrate and respect cultural differences (origin, language, nationality, etc.) within the Group's organization and operations and to encourage interaction between its men and women.

Specifically, 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. Veolia has committed to hiring over 100 aboriginal workers over the next five years.

In France, specifications covering managerial best practices for religious issues were drawn up for oversight purposes and to assist HR managers likely to face this type of situation.

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(1) Number of employees declared disabled compared to the total workforce as of 12/31 in countries where it possible to declare disability.

(2) Number of employees declared disabled compared to the total workforce as of 12/31 in France.

Supporting the most vulnerable employees

In 2009, an Active Solidarity Plan was launched in France in consultation with the Group French Works Council to support the most vulnerable employees in a difficult economic context. This led to the launch of "Allô Solidarité," an employee counseling and support system in France set up with the help of an external partner.

Today, thousands of Group employees have access to a telephone platform that allows them to speak with professionals about the social challenges they face.

In 2016, over one hundred calls were received each month, mainly about housing and financial issues.

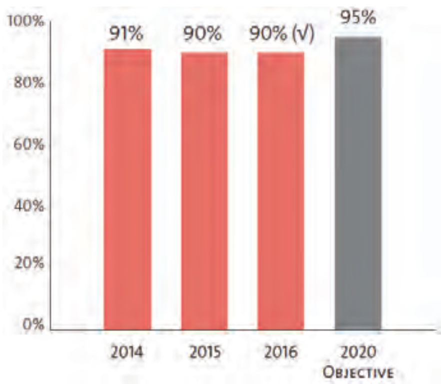
The partnership with the "Vivons Solidaires" association, which has been in place since September 2010, helps to tackle social emergencies. The association receives many requests for assistance with emergency housing, food donations, and children's aid. Union organizations are involved with the board of directors and management of this association.

6.4.4.2 Cohesion and social dialogue

Veolia is particularly vigilant regarding the social dialogue, which in fact contributes to greater workforce cohesion, the implantation of HR policies, and the Group's economic and social performance.

As part of its sustainable development commitments, the Group seeks to implement a social dialogue covering 95% of its employees by 2020; more than 90% (√) were covered in 2016.

Change in the rate of coverage by a social dialogue organization



With respect to collective bargaining, Veolia draws on both the direct relationships with the trade union and employee representatives, as well as the joint organizations created according to the rules of each country.

To advance the quality and development of labor relations, Veolia ensures that there is an 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, more than 900 collective agreements signed with business units supplement the Group directives and agreements;
- at country level, which includes the formal structures for consultation and dialogue that handle all transversal national issues;
- at Group level in the corporate offices and with the Group French and European Works Councils.

The two agreements appointing the Group French and European Works Councils were amended in 2015 to take into account the change in the Group's scope and the experience gained from the previous agreement in order to bolster and modernize the Group's labor-management relations in France and in Europe.

Overview of collective agreements

In 2016, more than 900 new collective agreements (√) were signed at the establishment or company level or within the France Works Council. All of these collective agreements had an impact on the company's labor and thus economic performance.

Breakdown of issues within the signed agreements

compensation	health, safety and/or working conditions	social dialogue	development of skills	Other
44.5%	18.5%	11.2%	6.4%	19.4%

At the end of 2016, there were 8,884 (√) employee representatives.

There were 203 strikes in 2016, representing 0.04% of the total number of days worked.

Role of the Group's committees

Veolia has formally agreed to set up Group French and European Works Councils, for which the terms and conditions of establishment were amended in 2015. The Group European Works Council represents more than two-thirds of Veolia employees.

The Group Works Councils are key players in Veolia's transformation. They receive information on the activity, the financial position and the employment situation. They must be informed of restructuring, acquisition or disposal plans, as was the case for the proposed sale of Dalkia France in 2014 and the plan to withdraw from the Transport activity initiated in 2010. They are also informed and consulted with respect to the exchange of ideas on the Group's strategic directions.

The agreement signed with the trade union representatives of the Group French Works Council and the commitments made under the Group European Works Council agreement demonstrate the will of the Group's Executive Management to structure unique relations with employee representatives and thus contribute to the Group's actions on behalf of all its employees.

Training of trade union partners

Training employee representatives in the performance of their duties is key to quality labor-management relations with respect to the economic and HR issues faced by the Group. Training representatives is also recognizing that the Group's employees are a key internal stakeholder. This is why members of the Group European Works Council have received high-level training since 2010 to more broadly address the cultural diversity of trade unions and the plurality of Veolia's businesses and their challenges. The French central trade union representatives can benefit from a certification training program created in partnership with Sciences Po Paris and the "Dialogues" association.

Under the 2010 agreement, trade union seminars were set up by each organization in order to improve their structure and define their priorities with respect to the Group's employee policy. These trade union seminars are renewed each year and are the subject of an open dialogue session with HR management.

Group agreements signed with trade union representatives

- an agreement on the generation contract for the Group in France was signed in 2013;
- pursuant to the securitization law, two employee board members were appointed by the French and European Works Councils respectively;
- an agreement to review the 2012 agreement covering the set-up of a group retirement savings plan (PERCO) was signed in 2016;
- a letter of commitment was signed with the Group's European Works Council on prevention, health and safety in 2012;
- the commission to monitor the French agreement on the "prevention of occupational hazards, workplace health and safety," signed in 2008 for a three-year term, was redefined and renewed by the trade union partners. The amendment formalizes the commitment shared by all to prioritize employee health and safety and prevent accidents within the Group.

Exchange of views regarding the 2016-2018 strategic plan

A French Group agreement with respect to the exchange of views on the strategic directions within the Group's employee representative bodies was signed in 2015 by the four representative trade unions. Given the Group's growing internationalization, the agreement's signatory management and trade union representatives wished to include the officers of the Group European Works Council in this measure. The exchange of views with respect to the strategic directions within the labor relations bodies was launched on April 20, 2016 with a joint session of the Group French and European Works Councils, based on a memorandum. Following this meeting, questions transmitted by the joint session members to Group management were answered in writing. The exchange of views was pursued in connection with the Group French and European Works Councils meetings held in September. Lastly, this exchange of views was reported within the Group French and European Works Councils respectively at the end of the year.

CSR dashboard for the European Works Council

Work was carried out with the 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 the worldwide and Europe performance, the change in workforce, frequency, attendance and absenteeism rates, or the number of agreements signed in each entity. These components will provide input for labor relations in the various countries. A similar approach was proposed at the Group French Works Councils and should soon be launched.

6.4.4.3 Respect for fundamental rights

Since June 12, 2003, when it joined the United Nations Global Compact, the Group has supported and promoted the Compact's principles in its sphere of influence, particularly the protection of international law on human rights, the recognition of collective bargaining rights, and the elimination of discrimination in employment and occupations. Respect for these basic rights is a natural part of Veolia's human rights policy as described in Section 6.3.4 above "Actions taken to promote human rights."

It is through these undertakings that HR management has pledged to have these rights respected in cooperation with the Group's other operational departments and all the entities.

Employee relations and working conditions

Veolia's commitments are fully described in Section 6.4.4.2 above "Workforce cohesion and social dialogue."

Fight against discrimination

Veolia's commitments are set out in detail in Section 6.4.4.1 above, "Promotion of professional equality and diversity and the fight against discrimination."

Elimination of forced or compulsory labor

Veolia prohibits any form of forced or compulsory labor. These commitments are recalled in the "Ethics Guide," in particular concerning compliance with international fundamental labor standards and the prohibition of the use of forced labor in all its operations.

Prohibition of child labor

Veolia strictly prohibits child labor. Minors can work in certain special cases, particularly work-study apprenticeships, but only in stringent compliance with all the regulatory provisions. These commitments are listed in the "Ethics Guide," particularly in regard to compliance with the fundamental international labor standards and the prohibition of child labor.

6.5 Methodology

The social and environmental information in this document has been taken from the international database that Veolia has developed for its social and environmental reporting. The societal information is taken from this same database and other Group reporting (Finance and Responsible Purchasing) or obtained from limited geographical or business areas or from departments centralized at Group level.

The indicators were chosen to monitor the following as a priority:

- performance relating to the Group's principal CSR challenges;
- effects of the Group's CSR policy;
- regulatory obligations (Article R. 225-105-1 of the French Commercial Code in France).

Scope

Social reporting covers all companies that are fully consolidated in the Group's financial statements and the companies consolidated in the financial statements, which the Group manages operationally and which are located in all the countries where the Group has employees. In 2016, to ensure consistency with the financial reporting scope, the Chinese concessions were no longer included in the social reporting, except for the indicators defined for sustainable development commitments. Hence, the work accident 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 by incorporating the Chinese concessions which represented 10,363 employees as of December 31, 2016.

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 2016 are estimated at 5% of revenue and are split between those relating to the operation of industrial water facilities that still need to be integrated into the reporting (particularly Australia, France and Canada) and low environmental impact activities that were not integrated (support functions, design offices and training institutions).

The environmental information relating to two facilities classified for environmental protection subject to authorization or registration in France was not integrated into the consolidated information published by Veolia. In fact, these facilities were not included in the aforementioned environmental reporting scope and represent a negligible impact with regard to Group data.

Within this scope, environmental and social information taken from the Group's dedicated information system is fully consolidated regardless of the proportion of consolidation in the financial statements.

Societal reporting covers the same scope as that of the social and environmental reporting for the data included in one of these reportings, as stated in the societal reporting guidelines. Social reporting also covers specific scopes due to the nature of the indicators and sources from which the data originates. In this case, the specific nature of the information is stated with the presentation of the indicator.

The data collected covers the period from January 1 to December 31, 2016.

Guidelines

In the absence of a recognized and relevant external reporting reference framework, the Group has defined its own reporting procedures, drawn from best practices and draft international standards, that describe the methodology used for the compiling, measuring, calculating, checking, analyzing and consolidating data. The environmental and societal reporting guidelines are available in French and English for the entities and on the Veolia website (www.veolia.com). The social reporting reference framework is available for the entities in French, English, German, Spanish and Portuguese.

Consolidations and control

The Group uses a software package to conduct automated checks on entities. The data is consolidated and checked by the Group's business units and the Corporate Human Resources Department, and the Technical and Performance Department for the social and environmental indicators respectively. The societal indicators that are not taken from the social or environmental reporting are consolidated and checked by the management/entity concerned (Finance, Purchasing, Foundation) and subsequently by the Sustainable Development Department.

All the information published by the Group in Chapter 6 has been subject to a specific external review. For fiscal year 2016, the indicators identified by the symbol (√) were checked with a reasonable level of assurance.

Methodological limits

It is important to note that there may be methodological limits to the indicators due to the following:

- lack of harmonization between national and international legislation;
- heterogeneous nature of the data managed and the variety of tools in the Group's many subsidiaries;
- changes in definition that may affect the comparison of indicators;
- specific characteristics of labor laws in certain countries;
- practicalities of data collection;
- availability of source data on the reporting date.

The indicators should be interpreted with caution, in particular averages, since the figures comprise worldwide data that requires a more detailed analysis at the level of the geographical zone, country or business line concerned.

As the methane production of landfill sites cannot be measured on site, it is modeled using the IPCC TIER 2 methodology. The model is recalculated annually based on the following parameters for each site: historic tonnage (since the site's opening if available), climate data (rainfall, temperature, etc.) and the standard composition of incoming waste (Modecom, Gas Sim, IPCC, etc.)

6.6 Report by one of the Statutory Auditors, appointed as independent third party, on the consolidated human resources, environmental and social information included in the management report

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended 31 December 2016

To the Shareholders,

In our capacity as Statutory Auditor of Veolia Environnement Company, (the "Company"), appointed as independent third party and certified by COFRAC under 3-1049[(1)], we hereby report to you on the consolidated human resources, environmental and social information for the year ended 31 December 2016, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the guidelines used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11-3 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements and applicable legal and regulatory requirements.

Statutory Auditor's responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).
- at the request of the company, express reasonable assurance, that information selected by the Group and identified by the symbol √ in the chapter 6 of the management report is presented fairly, in all material respects, in accordance with the Guidelines (Reasonable assurance on a selection of CSR information).

Our work involved nine persons and was conducted between November 2016 and March 2017 during a twenty seven weeks period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement and with ISAE 3000[(2)] concerning our conclusion on the fairness of CSR Information.

(1) *"whose scope is available at www.cofrac.fr".*

(2) *ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.*

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in 6.5 section of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted around fifty interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important, presented in Appendix 1:

- at consolidation level, including the parent company, subsidiaries and controlled entities, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities selected by us, presented in Appendix 2, on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 49% of headcount considered as material data of social issues, between 28% and 58% of environmental data considered as material data(1) of environmental issues and between 53% and 100% of the societal data considered as material data(2) of societal issues.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

(1) *See the list of environmental indicators presented in Appendix 1.*

(2) *See the list of societal indicators presented in Appendix 1.*

3. Reasonable assurance on a selection of CSR Information

Nature and scope of the work

For the information selected by the Group and identified by the symbol √, presented in Appendix 1, our audit consisted of work of the same nature as described in paragraph 2 above for CSR information considered the most important, but in more depth, particularly regarding the number of tests.

The selected sample represents 49% of headcount, between 49% and 58% of quantitative environmental data and 53% of quantitative social data identified by the symbol √.

We consider that this work enables us to express a conclusion of reasonable assurance for the information selected by the Group and identified by the symbol √.

Conclusion

In our opinion, the information selected by the Group and identified by the symbol √ is presented fairly, in all material respects, in accordance with the Guidelines.

French original signed by :
Paris-La Défense, March 15, 2017
KPMG S.A.

Philippe Arnaud	Karine Dupré
Partner	
Sustainability Services	*Partner*

Appendix 1

Environmental indicators	Level of assurance
Direct greenhouse gases emissions (Scope 1)	Reasonable
Indirect greenhouse gases emissions (Scope 2)	
Greenhouse gases emissions reduced	
Greenhouse gases emissions avoided	
Capture rate of the methane on sites in operation and post-operation	
Total energy production (electrical and thermal)	
Total energy consumption (electrical and thermal)	
Material recovery rate of treated waste	
Yield of drinking water networks	
Treatment yield (COD and BOD5) on wastewater treatment plants with a capacity greater or equal to 100 000 Population Equivalent	
Number of sites with strong biodiversity stakes	Limited
% of sites with strong biodiversity stakes which has realized a diagnostic	
% of sites with strong biodiversity stakes which has deployed an action plan	

Human resources indicators	Level of assurance
Headcount at 31/12 (breakdown by gender, work category, age and geographical area)	Reasonable
Total annual headcount full time equivalent (FTE)	
Percentage of women in the headcount and in the executive	
Frequency rate of work accidents with sick leave	
Severity rate of work accidents with sick leave	
Number of work accidents with sick leave (excluding the journey to and from work)	
Work days lost due to work accidents (excluding the journey to and from work)	
Absenteeism rate	
Weekly work time (in hours)	
Number of overtime hours	
Annual amount of working days per employee	
Average number of working days per week for a full time employee	
Percentage of employees having received at least one training during the year	
Number of collective agreements signed	
Of which number of collective agreements related to health, safety or work conditions	
Total number of staff representatives	
Coverage by a social dialogue organization	
Total number of departures	Limited
Of which number of individual and collective redundancies (unlimited term contract)	
Hours of training	

Social indicators	Level of assurance
Access to drinking water and wastewater services	Reasonable
Percentage of approved suppliers assessed on their CSR performance	Limited
Percentage of contracts integrating sustainable development requirements	
Amount of purchasing in France made with the protected and adapted work sector	
Percentage of purchasing made in France to the SME / mid-tier firms	
Number of partnership based on shared-value creation	

Human resources topics	Level of assurance
Organisation of social dialogue including information procedures, consultation and negotiation with the employees	Limited
Occupational health and safety conditions	
Measures implemented to promote equality	

Environmental topics	Level of assurance
Measures of prevention, recycling, reuse, other forms of recovery and disposal of waste	Limited
Energy consumption and measures implemented to improve energy efficiency and renewable energy use	
Adaptation to consequences of climate change	
Measures implemented to protect and conserve the biodiversity	

Social topics	Level of assurance
Conditions of dialogue with stakeholders	Limited
Territorial, economic and social impact of the company activity regarding regional employment and development	
Actions of partnership and sponsorship	

Appendix 2

Sample of selected entities	
Human resources and environmental information	Veolia Germany Veolia US Veolia Australia Société des Eaux de Marseille VRVD Nord Normandie VRVD Rhin Rhône SADE France Veolia Royaume Uni
Human resources information	VRVD Ile de France SARPI France SARP France Veolia Eau – Générale des Eaux Veolia Czech Republic Veolia Energy Spain Veolia Romania Veolia Colombia
Environmental information	Veolia Poland Veolia China VRVD Centre Ouest Eau Grand Ouest
Social information	Veolia Germany Veolia Headquarter (France)

7

CORPORATE GOVERNANCE

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

7.1 Members of the Board of Directors AFR

7.1.1 MEMBERS OF THE BOARD OF DIRECTORS AND POSITIONS AND OFFICES HELD BY DIRECTORS AND NON-VOTING MEMBERS *(CENSEURS)*

With the exception of the Directors representing employees, the members of the Board of Directors are elected by shareholders at General Shareholders' Meetings at the recommendation of the Board, which, in turn, receives proposals from the Nominations Committee. Board members may be removed at any time pursuant to a decision of the General Shareholders' Meeting. With the exception of directors representing employees, each director must hold at least 750 registered shares in the Company.

Finally, the Company's Board of Directors also includes a representative from the Company's Works Council, who attends the Board of Directors' meetings in a non-voting advisory capacity.

7.1.1.1 Profile of the Board of Directors as of December 31, 2016

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

7.1.1.2 Members of the Board of Directors as of December 31, 2016

	Age	*Independent*	*Number of years on the Board*	*Expiry of current office*	*Individual attendance rate*	Committees: *Accounts and Audit*	Committees: *Nominations*	Committees: *Compensation*	Committees: *Research, Innovation and Sustainable Development*
Antoine Frérot, *Chairman and Chief Executive Officer*	58		6	2018 GSM	100%				
Louis Schweitzer, *Vice-Chairman and Senior Independent Director*	74	◆	13	2019 GSM	100%		●	●	
Homaira Akbari	56	◆	1	2019 GSM	100%	○			
Jacques Aschenbroich	62	◆	4	2020 GSM	100%	○			●
Maryse Aulagnon	67	◆	4	2019 GSM	71,4%		○		
Daniel Bouton	66	◆	13	2018 GSM	100%	●		○	
Caisse des dépôts et consignations, represented by Olivier Mareuse	53		4	2017 GSM	85.7%				
Isabelle Courville	54	◆	-	2020 GSM	100%				
Clara Gaymard	57	◆	1	2019 GSM	100%			○	
Marion Guillou	62	◆	5	2017 GSM	100%			○	○
Pavel Páša (1) ✱	52		2	October 2018	100%				○
Baudouin Prot	65	◆	13	2019 GSM	85.7%				
Qatari Diar Real Estate Investment Company, represented by Khaled Al Sayed	50	◆	6	2018 GSM	42.9%				
Nathalie Rachou	59	◆	4	2020 GSM	85.7%	○			
Paolo Scaroni	70	◆	10	2017 GSM	100%		○		
Guillaume Texier	43	◆	-	2020 GSM	100%				
Pierre Victoria (1) ✱	62		2	October 2018	85.7%	○		○	
Paul-Louis Girardot ▲	83	N/A	-	2018	-				
Serge Michel ▲	90	N/A	-	2020	-				
NUMBER OF MEETINGS IN 2016					7	6	4	7	3
AVERAGE ATTENDANCE RATE IN 2016					91.6%	88.3%	100%	97.1%	100%

● *Chairman*

○ *Member*

▲ *Non-voting member (censeur)*

✱ *Director representing employees*

◆ *Independent pursuant to AFEP-MEDEF Code independence criteria, as assessed by the Board of Directors.*

N/A: not applicable

(1) Director representing employees, not taken into account when calculating independence percentages pursuant to Article 8.3 of the AFEP-MEDEF Code (see Chapter 7, Section 7.2.1.1 below)

7.1.1.3 Positions held by Directors and Non-voting members *(censeurs)*

The positions and offices held by the directors and non-voting members *(censeurs)* stated below are current as of December 31, 2016 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*

58 years old
French
Date of first appointment:
May 7, 2010
Date of reappointment:
April 24, 2014
Expiry of current office:
2018 GSM

Born on June 3, 1958 in Fontainebleau (France), **Antoine Frérot** is a graduate of the École Polytechnique (class of 1977), engineer at the Ponts et Chaussées corps and holds a doctorate from the École Nationale des Ponts et Chaussées.

He started his career in 1981 as a research engineer at the Central Research Office for French Overseas Departments and Territories. In 1983, he joined the Center for Study and Research of the École Nationale des Ponts et Chaussées as a project manager and then served as assistant director from 1984 to 1988. From 1988 to 1990, he was Head of Financial Transactions at Crédit National. In 1990, Antoine Frérot joined Compagnie Générale des Eaux as a project manager and, in 1995, became Chief Executive Officer of CGEA Transport. In 2000, he was appointed Chief Executive Officer of CONNEX, the Transport Division of Vivendi Environnement, and a member of the Executive Committee of Vivendi Environnement. In January 2003, he was appointed Chief Executive Officer of Veolia Eau, the Water Division of Veolia Environnement*, and Senior Executive Vice President of Veolia Environnement*. In November 2009, he was appointed Chief Executive Officer, and in December 2010, Chairman and Chief Executive Officer of Veolia Environnement*.

Principal positions held outside the Company – Other offices

In France:

- Managing Director of Veolia Eau – Compagnie Générale des Eaux [VE];
- Director of Transdev Group [VE];
- Director of Société des Eaux de Marseille [VE];
- Chairman of the VE Foundation [VE];
- Permanent representative of Veolia Environnement* on the Board of Directors of Institut Veolia Environnement [VE];
- Vice-Chairman of the Strategy Board of Institut de l'Entreprise (non-profit organization);
- Director of Paris Ile-de-France Capitale Économique;
- Director of the Société des Amis du Musée du Quai Branly;
- Chairman of the non-profit organization Envie;
- Chairman of the non-profit organization Centre d'Arts Plastiques de Royan;
- Director of CNER, the Federation of French investment and economic development agencies;
- Director of the non-profit organization Amis de la Bibliothèque Nationale de France;
- Chairman of Institut de l'entreprise.

Positions or offices expired in the last five years

In France:

- Director of Veolia Énergie International [VE] until 10/07/2016;
- Member of the A and B Supervisory Boards of Dalkia [VE] (formerly Dalkia holding) until 07/25/2014;
- Chairman of the Supervisory Board of Dalkia France[VE] until 07/24/2014;
- Chairman of Campus Veolia Environnement [VE] until 05/05/2014;
- Chairman of VE France Régions [VE] until 04/12/2014;
- Chairman of the Board of Directors of Veolia Water [VE] until 11/19/2013;
- Chairman of the Board of Directors of Veolia Transdev [VE] until 12/03/2012;
- Chairman of the Board of Directors of Veolia Propreté [VE] until 10/31/2012;
- Chairman of the Supervisory Board of Eolfi until 06/29/2012;
- Director of Veolia Transport [VE] until 03/24/2011;
- Member of the Supervisory Board of Ponts Formation Edition until 03/01/2011;
- Member of the Supervisory Board of Louis Dreyfus BV until 02/03/2011;
- Permanent representative of Veolia Eau – Compagnie Générale des Eaux[VE] on the Board of Directors of Institut Veolia Environnement [VE] until 02/22/2011.

Outside France:

- Member of the Management Board of Veolia Environmental Services North America [VE] (United States) until 05/15/2014;
- Director of Veolia Environmental Services North America [VE] (United States) until 12/31/2012.

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended. ** : listed company* *[VE] : Group company*

LOUIS SCHWEITZER

Independent Director of Veolia Environnement*; Vice Chairman of the Board of Directors; Senior Independent Director; Chairman of the Nominations Committee and the Compensation Committee

74 years old

French

Date of first appointment:

April 30, 2003

Date of reappointment:

April 22, 2015

Expiry of current office:

2019 GSM

Louis Schweitzer is a graduate of the Institut d'Études Politiques (IEP) in Paris. A graduate of the École nationale d'administration (ENA) and Inspector of Finance, he was chief of staff for Laurent Fabius (who was successively junior Budget Minister, Minister for Industry and Research and Prime Minister) from 1981 to 1986. In 1986, he joined Renault's senior management team and then successively held the positions of Head of Planning and Management Control, Chief Financial and Planning Officer and Deputy Chief Executive Officer. He was appointed Chief Executive Officer of Renault in December 1990, then Chairman and Chief Executive Officer in May 1992 until April 29, 2005, when he was appointed Chairman of the Board of Directors of Renault. Mr. Schweitzer did not seek to renew his term of office as a Director of Renault at the May 6, 2009 Annual General Meeting. After being appointed Vice-Chairman of the Veolia Environnement* Board of Directors on November 27, 2009, he was appointed Senior Independent Director of the Company on May 16, 2012 and was again appointed Vice-Chairman on May 14, 2013. He has served as Commissioner General for Investment since April 23, 2014.

Principal positions held outside the Company – Other offices

Principal positions held outside the Company:

- Commissioner General for Investment;
- Chairman of Initiative France.

Other offices and positions exercised in any company/entity:

In France:

- Member of the Board of Musée du Quai Branly;
- Member of the Board of the National Political Science Foundation;
- Director of the Société des Amis du Musée du Quai Branly;
- Chairman of the Board of Directors of Festival d'Avignon;
- Chairman of the Board of Directors of Maison de la culture MC 93;
- Chairman of the French Foreign Affairs Council.

Positions or offices expired in the last five years

In France:

- Director of L'Oréal*;
- Director of BNP Paribas*.

Outside France:

- Member of the Advisory Board of Allianz* (Germany);
- Member of the Advisory Board of Bosch (Germany);
- Chairman of the Board of Directors of AstraZeneca* (United Kingdom);
- Chairman of the Board of Directors of AB Volvo* (Sweden).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended. ** : listed company* *VE : Group company*

HOMAIRA AKBARI

Independent Director of Veolia Environnement*; Member of the Audit and Accounts Committee

56 years old

American

Date of first appointment:

April 22, 2015

Expiry of current office:

2019 GSM

Homaira Akbari has a Ph.D. in particle physics from Tufts University and an MBA from the Carnegie Mellon University in the United States. She has held several executive positions in Microsoft Corporation, Thales Group, TruePosition, Inc., a subsidiary of Liberty Media Corporation and the Cambridge Strategic Management Group. From 2007 to 2012, she served as Chief Executive Officer of SkyBitz, Inc., the leading provider of remote asset tracking and security solutions, specializing in real time decision-making tools. Homaira Akbari is currently Chief Executive Officer of AKnowledge Partners, LLC, a global advisory firm providing high-impact consultative strategies, solutions and advice to leading Fortune 1000 US companies and private equity firms operating in the Internet of Things (IoT), security, Big Data and analytics sectors.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- President and Chief Executive Officer of AKnowledge Partners (United States).

Other offices and positions exercised in any company/entity:

Outside France:

- Director of Landstar System Incorporation* (United States);
- Director of Gemalto NV* (Netherlands);
- Director of Banco Santander* (Spain).

Positions or offices expired in the last five years

Outside France:

- Director of Covisint Corporation* (United States);
- President and Chief Executive Officer of SkyBitz (United States).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended. ** : listed company* *VE : Group company*

JACQUES ASCHENBROICH

Independent Director of Veolia Environnement*; Chairman of the Research, Innovation and Sustainable Development Committee, Member of the Audit and Accounts Committee

62 years old

French

Date of first appointment:

May 16, 2012

Date of reappointment:

April 21, 2016

Expiry of current office:

2020 GSM

Jacques Aschenbroich, is an engineering graduate of the Corps des Mines. He held several positions in the French civil service and served on the Prime Minister's staff in 1987 and 1988. He then moved into industry, working in the Saint-Gobain Group from 1988 to 2008. After managing the Group's subsidiaries in Brazil and Germany, he took over the management of the Flat Glass Division of Compagnie de Saint-Gobain and went on to become Chairman of Compagnie Saint-Gobain Vitrage in 1996. From October 2001 to December 2008, he was Senior Vice-President of Saint-Gobain, managing the Flat Glass and High Performance Materials sectors starting in January 2007, and managed the Group's operations in the United States as Chief Executive of Saint-Gobain Corporation and General Representative for the United States and Canada from September 1, 2007. He was appointed Director and Chief Executive Officer of Valeo in March 2009, followed by Chairman and Chief Executive Officer on February 18, 2016.

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:

- Chairman of the Board of Directors of École nationale supérieure des mines ParisTech.

Positions or offices expired in the last five years

In France:

- Chairman of Valeo Finance.

Outside France:

- Chairman of Valeo SpA (Italy);
- Chairman of Valeo (UK) Limited (United Kingdom);
- Director of Valeo Service España, S.A. (Spain);
- Chairman 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*

MARYSE AULAGNON

Independent Director of Veolia Environnement*; Member of the Nominations Committee

67 years old

French

Date of first appointment:

May 16, 2012

Date of reappointment:

April 22, 2015

Expiry of current office:

2019 GSM

Maryse Aulagnon is Founder and Chairman of Affine Group, consisting of two property companies listed in Paris and Brussels specializing in commercial real estate. She holds a Master's degree in economics and is a graduate of the Institut d'Études Politiques (IEP) and of the École nationale d'administration (ENA). She is an honorary Maître des Requêtes of the Conseil d'État (1975 to 1979). After holding various positions at the French Embassy in the United States (1979-1981) and on the staff of several French ministers (Budget and Industry), she joined the Compagnie Générale d'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. In 1990 she founded Affine Group, which she has led since then. She has also been a member of the Supervisory Board of the BPCE banking group (Banques Populaires Caisses d'Epargne) since December 2010 and a Director of Air France-KLM (Chairman of the Audit Committee) since July 2010. Lastly, she serves as a Director of several professional organizations (including Fondation Palladio and FSIF and is a founding member of Cercle 30). She is also active in a number of cultural and university organizations (including Fondation des Sciences-Po, Le Siècle and Terrafemina).

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Chairman and Chief Executive Officer of Affine R.E.*

Other offices and positions exercised in any company/entity:

In France:

- Director of Air-France KLM*;
- Member of the Supervisory Board of BPCE (Banques Populaires Caisses d'Épargne) Group;
- Chairman and Chief Executive Officer of Mab-Finances, Affine Group;
- Representative of Affine R.E.*, Mab-Finances and Promaffine on the Boards of various entities of the Affine Group.

Outside France:

- Representative of Affine R.E., Chairman of Banimmo*, Affine Group (Belgium);
- Director of Holdaffine BV, Affine Group (Netherlands).

Positions or offices expired in the last five years

None

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended. ** : listed company* *VE : Group company*

DANIEL BOUTON

Independent Director of Veolia Environnement*; Chairman of the Audit and Accounts Committee; Member of the Compensation Committee

66 years old

French

Date of first appointment:

April 30, 2003

Date of reappointment:

April 24, 2014

Expiry of current office:

2018 GSM

Daniel Bouton holds a degree in political science. He is a graduate of the École nationale d'administration (ENA) and was an Inspector of Finance. He has held several positions in the French Ministry of Economy, Finance and Industry, including budget Director, from 1988 to 1991. In 1991, he began working at Société Générale, serving as Chief Executive Officer from 1993 and as Chairman and Chief Executive Officer from 1997. He was appointed as Chairman of the Board of Directors of Société Générale in May 2008, and resigned from his duties as Director and Chairman of the Bank in May 2009. He founded a consulting company, DMJB Conseil, and became its Chairman in November 2009.

Principal positions held outside the Company – Other offices

Principal positions held outside the Company:

- Chairman of DMJB Conseil;
- Senior Advisor of Rothschild & Cie Banque.

Other offices and positions exercised in any company/entity:

None

Positions or offices expired in the last five years

In France:

- Senior Advisor of CVC Capital Partners;
- Director of Total SA*.

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended. ** : listed company* *VE : Group company*

CAISSE DES DÉPÔTS ET CONSIGNATIONS

Director of Veolia Environnement*

Date of first appointment:

March 15, 2012

Date of reappointment:

May 14, 2013

Expiry of current office:

2017 GSM

Caisse des dépôts et consignations, established in 1816, is a public establishment carrying out tasks of general interest. As such, it is a long-term investor seeking to contribute to the growth of companies.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: None **Other offices and positions exercised in any company/entity:** **In France:** • Director of CNP Assurances*; • Director of Compagnie des Alpes*; • Director of Egis SA; • Director of FSI; • Director of Icade*; • Director of la Poste; • Director of Oseo SA; • Member of the Supervisory Board of SNI; • Director of Veolia Transdev.	**Outside France:** • Director of Dexia* (Belgium).

OLIVIER MAREUSE

Permanent representative of Caisse des dépôts et consignations on the Board of Directors of Veolia Environnement*

53 years old

French

Olivier Mareuse, graduated from the Institut d'Études Politiques (IEP) in Paris in 1984 and from the École nationale d'administration in 1988. He joined CNP Assurances in 1988 as an assistant director in the financial institutions department. In 1989, he was named Technical and Financial Vice President in the collective insurance department and subsequently worked as a special assistant to the Chief Executive Officer of CNP Assurances between 1991 and 1994. From 1993 to 1998, he worked as Vice President of Strategy, Management Control and Shareholder Relations and was responsible for the company's initial public offering. He was then appointed Vice President of Investments, a post he held until 2010. In October 2010, he was appointed deputy Chief Financial Officer (CFO) of the Caisse des dépôts Group, followed by CFO on December 15, 2010. He is director of Savings Funds at Caisse des dépôts group since September 1, 2016. He is a member of the management committees of Caisse des dépôts and the CDC group.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: • Director of Savings Funds at Caisse des dépôts group. **Other offices and positions exercised in any company/entity:** **In France:** • Director of AEW Europe; • Director of CDC Infrastructure; • Director of Icade*; • Director of Société forestière de la CDC; • Permanent representative of CDC on the Board of Directors of Qualium Investissement; • Director of CNP Assurance*; • Director of CDC International Capital; • Member of the Group Executive Committee and Public Institution Executive Committee of CDC; • Director of the French Association of Institutional Investors.	**In France:** • Director of CDC GPi; • Director of FSI; • Member of the Supervisory Board of IXIS Asset Management. **Outside France:** • Director of Dexia* (Belgium).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended. ** : listed company* *VE : Group company*

ISABELLE COURVILLE

Independent Director of Veolia Environnement*

54 years old

Canadian

Date of first appointment:

April 21, 2016

Expiry of current office:

2020 GSM

Isabelle Courville graduated in engineering physics from Ecole Polytechnique Montréal and in civil law from McGill University. She was active for 20 years in the Canadian telecommunications industry. She served as President of Bell Canada's Enterprise Group and as President and Chief Executive Officer of Bell Nordiq. From 2006 to 2013, she joined Hydro-Québec where she served as President of Hydro-Québec TransEnergie and eventually as President of Hydro-Québec Distribution. Since 2013, she has been Chairman of the Board of Directors of Laurentian Bank of Canada. She is also a Board member of Canadian Pacific Railway and Gecina. She sits on the Board of the Canadian Institute of Corporate Directors and the Institute for Governance of Private and Public Organizations.

Principal positions held outside the Company – Other offices

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:

In France:

- Director of Gecina*.

Outside France:

- Director of Canadian Pacific Railway (Canada).

Positions or offices expired in the last five years

Outside France:

- President of Hydro-Quebec Distribution (Canada);
- President of Hydro-Quebec TransÉnergie (Canada);
- Director of Miranda Technologies, Inc. (Canada);
- Director of Groupe TVA, Inc. (Canada).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended. ** : listed company* *VE : Group company*

CLARA GAYMARD

Independent Director of Veolia Environnement*; Member of the Compensation Committee

57 years old

French

Date of first appointment:

April 22, 2015

Expiry of current office:

2019 GSM

Clara Gaymard is a graduate of the Institut d'Études Politiques (IEP) in Paris and of the École nationale d'administration (ENA). She held several senior civil service positions between 1982 and 2006. Before entering ENA, Clara Gaymard started her career at Paris City Hall in the mayor's office between 1982 and 1984. On leaving ENA, she joined the French Court of Accounts as an auditor and was promoted to Senior Audit Commissioner in 1990. She was then Deputy Head of Economic Expansion Services in Cairo (1991-1993), followed by Head of the European Union office (Europe North-South Department) in the External Economic Relations Department (*Direction des relations économiques extérieures*) of the French Economy and Finance Ministry. In June 1995, she was asked by Colette Codaccioni, the Minister of Solidarity between generations, 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*;
- Vice-Chairman of the Board of Directors of Fondation du Collège de France.

Positions or offices expired in the last five years

In France:

- Chairman of GE France;
- Chairman of the American Chamber of Commerce in France;
- Member of the Board of Directors of the French American Foundation.

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended. ** : listed company* *VE : Group company*

MARION GUILLOU

Independent Director of Veolia Environnement*; Member of the Compensation Committee; Member of the Research, Innovation and Sustainable Development Committee

62 years old

French

Date of first appointment:

December 12, 2012

Date of reappointment:

May 14, 2013

Expiry of current office:

2017 GSM

Marion Guillou is a graduate of the École Polytechnique (class of 1973), holds a PhD in Food Sciences, and is a General Engineer of the *Corps des ponts, des eaux et des forêts*, and a member of the Academy of Technology and the Academy of Agriculture. 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 is currently Chairman of the Board of Directors of Agreenium, the French Institute for agronomics, veterinary science and forestry (since 2015).

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Chairman of the Board of Directors of Agreenium, the French Institute of Agronomics, Veterinary Science and Forestry.

Other offices and positions exercised in any company/entity:

In France:

- Director of d'Apave;
- Director of BNP*;
- Director of Imerys*;
- Member of the National Council of the Legion of Honor;
- Member of the French Strategic Research Council;
- Member of the Board of Directors of IHEST.

Outside France:

- Member of the Board of CGIAR;
- Member of the Board of BIODIVERSITY.

Positions or offices expired in the last five years

In France:

- Chairman of the French National Consortium for agriculture, food, animal health and the environment;
- Chairman and Chief Executive Officer of INRA;
- Chairman of the Board of Directors of École Polytechnique;
- Chairman of a joint agriculture and climate change research initiative (JPI FACCE);
- Member of the Supervisory Board of Areva, representing the French State;
- 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 FAO HLPE.

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended. ** : listed company* *VE : Group company*

PAVEL PÁŠA

Director of Veolia Environnement* representing employees; Member of the Research, Innovation and Sustainable Development Committee

52 years old

Czech

Date of first appointment:

October 15, 2014

Expiry of current office:

October 15, 2018

Pavel Pasa has been a Veolia employee since 1995.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

None

Other offices and positions exercised in any company/entity:

None

Positions or offices expired in the last five years

In France:

- Member of the Veolia [VE] European Works Council;
- Officer of the Veolia [VE] European Works Council.

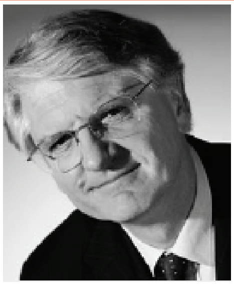
Outside France:

None

** : listed company* [VE] *: Group company*

BAUDOUIN PROT

Independent Director of Veolia Environnement*



65 years old

French

Date of first appointment:

April 30, 2003

Date of reappointment:

April 22, 2015

Expiry of current office:

2019 GSM

Baudouin Prot is a graduate of the École des Hautes 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 December 1, 2011, a position he held until December 1, 2014. His is currently a Senior Advisor at Boston Consulting Group.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Senior Advisor of Boston Consulting Group (France).

Other offices and positions exercised in any company/entity:

In France:

- Director of Kering*;
- Chairman of the BNP Paribas Emergency & Development Fund.

Outside France:

- Director of BGL BNP Paribas (Luxembourg).

Positions or offices expired in the last five years

In France:

- Chairman of the Board of Directors of BNP Paribas*;
- Member of the French Banking Federation Executive Committee.
- Director of Lafarge*.

Outside France:

- Director of Pargesa Holding SA* (Switzerland);
- Director of Erbé SA (Belgium);
- Member of the Institute of International Finance (United States);
- Vice-Chairman of the International Monetary Conference – IMC;
- Member of the Monetary Authority of Singapore (MAS) International Advisory Panel (Singapore);
- Member of the International Business Leaders' Advisory Council (IBLAC) of the City of Shanghai (China).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended. ** : listed company* [VE] *: Group company*

QATARI DIAR REAL ESTATE INVESTMENT COMPANY	**Independent Director of Veolia Environnement***

Date of first appointment: **May 7, 2010**

Date of reappointment: **April 24, 2014**

Expiry of current office: **2018 GSM**

Qatari Diar Real Estate Investment Company is wholly-owned by Qatar Investment Authority, which is the sovereign fund of the State of Qatar. The Fund is a large-scale class investor in development and property and operates in twenty countries in the Middle East, Africa and Europe. Qatari Diar has total investment funds of more than US$ 60 billion.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: None **Other offices and positions exercised in any company/entity:** **Outside France:** • Director of Barwa Real Estate (Qatar).	**Outside France:** • Director of Canary Wharf (United Kingdom).

KHALED AL SAYED	**Permanent representative of Qatari Diar Real Estate Investment Company on the Board of Directors of Veolia Environnement***

50 years old
Qatari

Khaled Al Sayed holds a degree in electrical engineering science from the United States and has held various positions in several departments, including engineering, project management, logistics and business development, in internationally recognized organizations, domiciled in Qatar and the United Arab Emirates. His reputation and expertise in business development and project management have been strongly appreciated within Occidental Oil & Gas Corporation and Shell EP International Ltd.

The leadership capacity of Khaled Al Sayed and his outstanding results led him to be appointed Group Chief Executive Officer of Qatari Diar Real Estate Investment Company.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: • Group Chief Executive Officer of Qatari Diar Real Estate Investment Company (Qatar).	**Outside France:** • Chief Business Officer of Qatari Diar Real Estate Investment Company (Qatar); • Contracts Director of Qatari Diar Real Estate Investment Company (Qatar); • Supply Chain Director of Eastern Hemisphere Occidental Oil & Gas Corporation (United Arab Emirates - Abu Dhabi); • Supply Chain Director of Shell E.P. (United Arab Emirates - Dubai).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended. ** : listed company* *VE : Group company*

NATHALIE RACHOU

Independent Director of Veolia Environnement*; Member of the Audit and Accounts Committee

59 years old

French

Date of first appointment:

May 16, 2012

Date of reappointment:

April 21, 2016

Expiry of current office:

2020 GSM

Nathalie Rachou is Senior Advisor of Rouvier Associes. She graduated from the École des hautes études commerciales (HEC) in 1978 and spent the first part of her career at Banque Indosuez (now Crédit Agricole). After working as a foreign exchange dealer for clients in London and Paris from 1978 to 1982, she was Head of Asset and Liability Management and Market Risk Management until 1986, and then set up the bank's business on MATIF and the bank's derivatives broking subsidiary. From 1991 to 1996, she was General Counsel for Banque Indosuez, then served from 1996 to 1999 as head of Global Foreign Exchange and Currency Options worldwide. In November 1999, she founded Topiary Finance, a United Kingdom based asset management company, which she led until 2015. She has been a non-executive Director of Société Générale since 2008 (Chairman of the Risks Committee and member of the Audit and Internal Control Committee), of Altran Technologies since 2012 (member of the Audit Committee) and of Laird Plc since 2016 (member of the Audit Committee). Finally, she has been a French foreign trade advisor since 2001 and is a member of the Cercle d'Outre-Manche and a trustee of the Dispensaire Français in London.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Senior Advisor of Rouvier Associés.

Other offices and positions exercised in any company/entity:

In France:

- Director, Chairman of the Risks Committee and Member of the Audit and Internal Control Committee of Société Générale*;
- Director and Chairman of the Audit Committee of Altran Technologies*.

Outside France:

- Director and member of the Audit Committee of Laird Plc* (United Kingdom).

Positions or offices expired in the last five years

Outside France:

- Founder and Managing Director of Topiary Finance Ltd. (United Kingdom).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended. ** : listed company* *VE : Group company*

PAOLO SCARONI

Independent Director of Veolia Environnement*; Member of the Nominations Committee

70 years old

Italian

Date of first appointment:

December 12, 2006

Date of reappointment:

May 14, 2013

Expiry of current office:

2017 GSM

Paolo Scaroni holds a degree in economics from Bocconi University in Milan and an MBA from Columbia Business School in New York. Following a year with McKinsey & Company after earning his MBA, he held various positions with Saint Gobain between 1973 and 1985, ultimately heading the "flat glass" division. In 1985, Paolo Scaroni became Chief Executive Officer of Techint, while at the same time holding the positions of Vice President of Falck and Executive Vice President of SIV, a joint venture between Techint and Pilkington plc. He became Chief Executive Officer of Pilkington plc in 1996 and held that position until May 2002. After serving as Chief Executive Officer of Enel from 2002 to 2005, he became Chief Executive Officer of Eni in June 2005. He is Deputy Chairman of Rothschild Group since June 2014.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Deputy Chairman of Rothschild Group (Italy).

Other offices and positions exercised in any company/entity:

Outside France:

- Member of the Board of Directors of Columbia Business School (United States);
- Member of the Board of Directors of Ingosstrakh* (Russia);
- Chairman of Giuliani S.p.A (Italy).

Positions or offices expired in the last five years

Outside France:

- Vice-Chairman of London Stock Exchange Plc* (United Kingdom);
- Member of the Board of Directors of Assicurazioni Generali* (Italy);
- Chief Executive Officer of ENI* (Italy);
- Member of the Board of Directors of Fondazione Teatro alla Scala (Italy).

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended. ** : listed company* *VE : Group company*

GUILLAUME TEXIER

Independent Director of Veolia Environnement*

43 years old

French

Date of first appointment:

April 21, 2016

Expiry of current office:

2020 GSM

Guillaume Texier is a graduate of École Polytechnique and Corps des Mines. He started his career with the French civil service, notably as an Advisor to the Minister of the Environment and the Minister for Industry. He joined Saint-Gobain* 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 is Chief Financial Officer of Compagnie Saint-Gobain* since January 1, 2016.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal position held outside the Company: • Chief Financial Officer of Compagnie de Saint-Gobain*. **Other offices and positions exercised in any company/entity:** None	None

GSM: General Shareholders' Meeting called to approve the financial statements for the year then ended. ** : listed company* *[VE] : Group company*

PIERRE VICTORIA

Director representing employees of Veolia Environnement*; Member of the Audit and Accounts Committee; Member of the Compensation Committee

62 years old

French

Date of first appointment:

October 15, 2014

Expiry of current office:

October 15, 2018

Pierre Victoria is a graduate of the Institut d'Études Politiques (IEP) in Paris and holds a Master's degree in law. He is currently the Director of Sustainable Development for Veolia. He joined the headquarters of Veolia Eau-Compagnie Générale des Eaux[VE] in 2001 after holding sales and administrative positions with Veolia Eau-Compagnie Générale des Eaux in western France for twelve years. He is also the General Representative of the Cercle français de l'eau and a member of the French trade union CFDT.

Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
Principal positions held outside the Company: • General Representative of the Cercle français de l'eau ; • Treasurer of the non-profit organization Association pour la défense des intérêts français en Asie Pacifique (ADIFAP). **Other offices and positions exercised in any company/entity:** **In France:** • Director of Seureca [VE]; • Representative of founder members of the VE Foundation [VE]; • Director of Vigeo; • Director of Comité 21.	None

** : listed company* *[VE] : Group company*

PAUL-LOUIS GIRARDOT

Non-voting member (*censeur*)

83 years old

French

Date of first appointment:

April 24, 2014

Expiry of current office:

2018

Paul-Louis Girardot served as Director and Chief Executive Officer of Vivendi until 1998. He focused principally on developing the Veolia Environnement Group's utilities concessions, particularly in the water sector. In addition, he contributed significantly to Vivendi's activities in the telephone sector, in particular mobile telephones. He also worked to expand the Veolia Environnement* Group's business in the energy sector and in the decentralized production of electric power (cogeneration), through the Dalkia subsidiary. He has been Chairman of the Supervisory Board of Veolia Eau- Compagnie Générale des Eaux VE since 2001. He was appointed to the position of non-voting member *(censeur)* by the Board of Directors at its March 11, 2014 meeting, taking effect at the end of the April 24, 2014 General Shareholders' Meeting for a period of four years and expiring at the end of the 2018 General Shareholders' Meeting.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Chairman of the Supervisory Board of Veolia Eau - Compagnie Générale des Eaux VE.

Other offices and positions exercised in any company/entity:

In France:

- Director of Société des Eaux de Marseille VE;
- Chairman of the Supervisory Board of Compagnie des Eaux et de l'Ozone VE;
- Vice-Chairman of Institut Veolia Environnement VE.

Positions or offices expired in the last five years

In France:

- Director of Veolia Environnement*;
- Member of the Supervisory Board of Dalkia France VE;
- Member of the A and B Supervisory Boards of Dalkia SAS VE;
- Director of Veolia Propreté VE;
- Director of Veolia Water VE.

** : listed company* VE *: Group company*

SERGE MICHEL

Non-voting member *(censeur)*

90 years old

French

Date of first appointment:

April 21, 2016

Expiry of current office:

2020

Serge Michel has spent his entire career in the construction and public works sector. After having held the position of Executive Vice-President with Compagnie de Saint-Gobain and been Chairman of Socea, he chaired the SGE group until 1991 and the CISE group until 1997. He served as Executive Vice-President of Compagnie Générale des Eaux until 1992. Chairman of Soficot until 2016, Serge Michel is currently Chairman of SM Conseil. He was appointed to the position of non-voting member (censeur) by the Board of Directors at its March 8, 2016 meeting, taking effect at the end of the April 21, 2016 General Shareholders' Meeting for a period of four years and expiring at the end of the 2020 General Shareholders' Meeting.

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Chairman of SM Conseil.

Other offices and positions exercised in any company/entity:

In France:

- Director of SARP Industries VE;
- Member of the Supervisory Board of Société des Eaux de Trouville Deauville et Normandie VE;
- Permanent representative of CEPH on the Board of Directors of SEDIBEX VE.

Positions or offices expired in the last five years

In France:

- Chairman of Soficot SAS;
- Director of Veolia Environnement*;
- Director of Orsay Finance 1;
- Director of Infonet Services;
- Chairman of Carré des Champs-Élysées;
- Director of LCC SA;
- Chairman of CIAM;
- Permanent representative of EDRIF on the Supervisory Board of Veolia Eau-Compagnie Générale des Eaux VE;
- Member of the Supervisory Board of Eolfi VE;
- Chairman of Société Gastronomique de l'Étoile;
- Chairman of Groupe Épicure;
- Chairman of Les Joies de Sofi.

** : listed company* VE *: Group company*

7.1.2 RENEWALS PROPOSED TO THE GENERAL SHAREHOLDERS' MEETING OF APRIL 20, 2017

On the recommendation of the Nominations Committee, the Board of Directors decided on March 7, 2017, to recommend the renewal by the Combined General Meeting of April 20, 2017 of the terms of office as director of the Caisse des dépôts et des consignations represented by Mr. Olivier Mareuse, Mrs. Marion Guillou and Mr. Paolo Scaroni for a period of four years expiring at the end of the 2021 Ordinary General Meeting held to approve the financial statements for the year ending December 31, 2020.

7.1.3 CONVICTIONS, BANKRUPTCIES, CONFLICTS OF INTEREST AND OTHER INFORMATION

Based on statements made by the members of the Board of Directors to Veolia Environnement, there are, to the best of the Company's knowledge, no family ties among the members of the Company's Board of Directors and, during the last five years: (i) no member of the Board of Directors of Veolia Environnement has been convicted of fraud; (ii) no member of the Board of Directors has been involved in a bankruptcy, receivership or liquidation proceedings; (iii) no statutory or regulatory authority (including designated professional organizations) has made any official public accusation and/or imposed a penalty on these persons; and (iv) no director has been forbidden by a court from holding a position as a member of a Board of Directors or of a Management or a Supervisory Body of a publicly held company or from participating in the management or business operations of a publicly held company.

To the best of the Company's knowledge, no conflicts of interest exist at Veolia Environnement Board of Directors or executive management level, with the notable exception of Caisse des dépôts et consignations, represented by Olivier Mareuse, with respect to Transdev Group, in which Caisse des dépôts et consignations holds 70% of the capital (see Chapter 4 Section 4.1, Note 3 to the consolidated financial statements above). In addition to the provisions of the French Commercial Code concerning regulated agreements, the Board of Directors' internal regulations provide that directors must inform the Board of Directors of any existing or potential conflicts of interest and abstain from voting in any situation where such a conflict of interest exists. No service agreements providing for the grant of benefits exist between a director or the Chief Executive Officer and the Company or its subsidiaries.

No arrangement or agreement has been signed with the Company's principal shareholders, customers or suppliers pursuant to which a member of the Board of Directors has been selected as director or to hold an executive management position in the Company.

Finally, to the best of the Company's knowledge, the members of the Board of Directors have not agreed to any restrictions on their ability to transfer any stake they may hold in the share capital of Veolia Environnement, with the exception of the provision in the Articles of Association stipulating that each director must own at least 750 registered shares of the Company.

7.2 Activities of the Board of Directors and its Committees AFR

7.2.1 ACTIVITIES OF THE BOARD OF DIRECTORS

7.2.1.1 Corporate Governance principles and the AFEP-MEDEF Code

The Company applies a corporate governance code in accordance with the provisions of the French Commercial Code and as part of the listing of its shares on the Euronext Paris regulated market.

It is recalled that the Company's Board of Directors confirmed that the Company follows the AFEP-MEDEF Corporate Governance Code of listed corporations (hereinafter the "AFEP-MEDEF Code") (http://www.afep.com/contenu/focus/code-de-gouvernement-d-entreprise-des-societes-cotees).

In accordance with the "comply or explain" rule introduced by Article 27.1 of the AFEP-MEDEF Code, the recommendations of this Code disregarded in fiscal year 2016 are set out below.

Summary Table of the AFEP-MEDEF Code recommendations not adopted at the date of this Registration Document

Provision potentially disregarded	Explanation
Criterion no. 6 below stipulated in Article 8.5.6 of the AFEP-MEDEF Code for the assessment of the independence of directors: *"Not have been a director of the Company for more than twelve years. Loss of the status of independent director occurs on the date at which this period of twelve years is reached"*.	The Nominations Committee and the Board of Directors carefully reviewed the independence of the directors in light of all the criteria stipulated by the AFEP-MEDEF Code. At the end of this analysis, they considered that Messrs. Daniel Bouton, Baudouin Prot and Louis Schweitzer may be classified as independent (see Section 7.2.1.3 below).

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 annual renewal of the offices of one quarter of Board members.

Changes in 2016

The Combined General Meeting of April 21, 2016 notably renewed the terms of office as director of Mr. Jacques Aschenbroich and Mrs. Nathalie Rachou and appointed Mrs. Isabelle Courville and Mr. Guillaume Texier as directors for a period of four years ending at the 2020 General Shareholders' Meeting held to approve the financial statements for the year ending December 31, 2019.

Date of GSM	Expiry of term of office	Renewal	Appointment
April 21, 2016	Serge Michel Georges Ralli	Jacques Aschenbroich Nathalie Rachou	Isabelle Courville Guillaume Texier

Proposed changes in 2017[1]

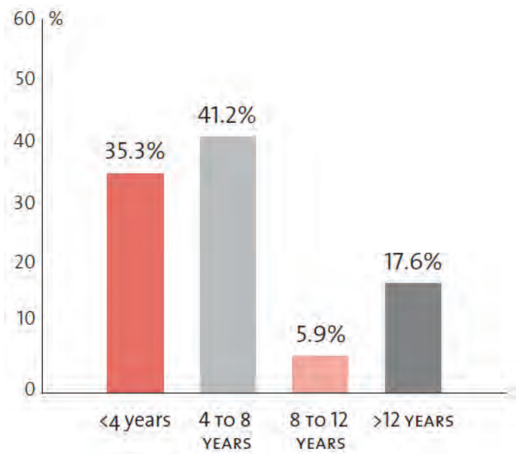
In accordance with the requirement to renew one quarter of the Board of Directors every year, at its meeting of March 7, 2017, the Board of Directors formally noted that the terms of office of three directors (Caisse des dépôts et des consignations, Mrs. Marion Guillou and Mr. Paolo Scaroni) expire at the end of the General Shareholders' Meeting to be held on April 20, 2017.

At the recommendation of the Nominations Committee, the Board of Directors decided on March 7, 2017, to recommend the renewal by the Combined General Meeting of April 20, 2017 of the terms of office as director of the Caisse des dépôts et des consignations, Mrs. Marion Guillou and Mr. Paolo Scaroni for a period of four years expiring at the end of the 2021 Ordinary General Meeting held to approve the financial statements for the year ending December 31, 2020.

After these proposed renewals and assuming they are approved by the General Shareholders' Meeting of April 20, 2017, the Board of Directors would continue to comprise seventeen directors, including two directors representing employees, six women (40%[2][3]) and two non-voting members (*censeurs*).

(1) *Subject to approval by shareholders at the Combined General Meeting of April 20, 2017.*
(2) *In accordance with Article L. 225-18-1 of the French Commercial Code.*
(3) *Excluding Directors representing employees in accordance with the AFEP-MEDEF Code.*

Length of service of directors as of december 31, 2016



Selection criteria for directors

Based on the expertise chart below, 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 Company and its industry, professional experience, financial and accounting expertise, CSR, R&D and digital skills and sufficient availability. In addition to increasing the number of female directors, the Board is striving to diversify the profiles of its members, of both French and non-French nationality, while ensuring the balanced representation of the Company's various stakeholders. As of the date of filing of this Registration Document, the Board has five non-French directors (Mrs. Homaira Akbari, a US citizen; Mrs. Isabelle Courville a Canadian citizen; Mr. Paolo Scaroni, an Italian citizen; Mr. Khaled Al Sayed, a Qatari citizen; and Mr. Pavel Páša, a Czech citizen), representing 33.33% of total Board members.

	Experience in Veolia's businesses	International experience	Industry	R&D	Bank Finance	CSR	Digital	Experience in listed companies
Antoine Frérot	●	●		●	●	●		●
Louis Schweitzer		●	●		●	●		●
Homaira Akbari		●	●	●			●	●
Jacques Aschenbroich		●	●	●	●			●
Maryse Aulagnon		●	●		●			●
Daniel Bouton		●			●			●
Caisse des dépôts et consignations, represented by Olivier Mareuse			●		●			●
Isabelle Courville	●	●	●		●	●		●
Clara Gaymard		●	●		●	●	●	●
Marion Guillou		●		●		●		●
Pavel Páša, *Director representing employees*	●	●				●		
Baudouin Prot		●			●			●
Qatari Diar Real Estate Investment Company, represented by Khaled Al Sayed		●	●		●			●
Nathalie Rachou		●			●			●
Paolo Scaroni		●	●		●			●
Guillaume Texier		●	●		●			●
Pierre Victoria, *Director representing employees*	●			●		●		

Training and integration of new directors

At the request of the Board of Directors, the Company organizes training for new directors on the specific aspects of the Group's businesses to facilitate their integration, particularly through site visits. Moreover, to facilitate their integration, new Board members may meet the Group's key executive officers.

Thus, in the context of the integration of two directors representing employees at the end of 2014, the Company organized in 2014 and 2015, an internal training session for them and enrolled them in an outside training program designed by the IFA and Sciences Po which led to the issue of a Corporate Director's Certificate.

In addition, the Company organized for directors visits to Group operating sites and customers in Prague (in September 2015) and Leeds (in July 2016).

7.2.1.3 Independence of directors

Director independence criteria

According to the terms of the internal regulations of the Board of Directors, members are considered independent if they have no relationship with the Company, its Group or its management that might compromise their ability to exercise their judgment objectively. The internal regulations adopt the independent director criteria set-out in the AFEP-MEDEF Code:

1) not to be and not to have been during the course of the previous five years an employee or executive corporate officer of the Company, an employee, executive corporate officer of a company or a director of a company consolidated within the Company or an employee, executive corporate officer or a director of the Company's parent company or a company consolidated within this parent **(criterion no. 1)**;
2) not to be an executive corporate officer of any company in which the Company directly or indirectly holds a directorship, or in which an employee appointed as such or a corporate officer of the Company (current or within the past five years) is a director **(criterion no. 2)**;
3) not to be a customer, supplier, investment banker or commercial banker that is material for the Company or its Group or for which the Company or its Group represents a significant part of its business (nor be directly or indirectly linked with such a person) **(criterion no. 3)**;
4) not have any close family ties with a director or corporate officer **(criterion no. 4)**;
5) not to have been a Statutory Auditor of the Company within the past five years **(criterion no. 5)**;
6) not to have been a director of the Company for more than twelve years. Loss of the status of independent director occurs on the date at which this period of twelve years is reached **(criterion no. 6)**.

In the case of directors holding 10% or more of the Company's share capital or voting rights, or representing a legal entity with such shareholdings, the Board, based on a report from the Nominations Committee, shall decide whether or not they are independent, taking into account the composition of the Company's share capital and the existence of any potential conflicts of interest.

Those criteria are assessed and weighted by the Board of Directors, which may decide that a director who does not meet the criteria defined in the internal regulations may nevertheless be described as independent in light of his/her particular situation or that of the Company, given its shareholding structure or any other reason, or vice versa.

The internal regulations also stipulate that, before publishing the Registration Document each year, the Board of Directors must assess the independence of each of its members based on the criteria set out in the aforementioned regulations, any special circumstances, the situation of the person in question, of the Company and of the Group and the opinion of the Nominations Committee.

Assessment of the independence of directors

At its meeting of March 7, 2017, the Board of Directors carried out the annual review of the independence of directors after hearing the opinion of the Nominations Committee.

The Board classified the following 13 directors (out of a total of 15) as independent: Homaira Akbari, Jacques Aschenbroich, Maryse Aulagnon, Daniel Bouton, Isabelle Courville, Clara Gaymard, Marion Guillou, Baudouin Prot, Qatari Diar Real Estate Investment Company represented by Khaled Al Sayed, Nathalie Rachou, Paolo Scaroni, Louis Schweitzer and Guillaume Texier.

All of these directors meet the AFEP-MEDEF Code independence criteria for fiscal year 2016 and 2017, with the exception of criterion no. 6 for three directors (see below). In particular, they are not significant shareholders of the Company as defined by this Code, and maintain no business relationship with the Company or its Group.

With regards to criterion no. 6 above, while the length of the terms of office of three directors recognized as independent with respect to the first five criteria (Messrs. Louis Schweitzer, Daniel Bouton and Baudouin Prot) reached 12 years on May 1, 2015, the Board decided, as necessary, to classify them as independent due to the general nature of Veolia's activities and the following more specific reasons:

(1) In determining the independence of a director, the Board does not wish to automatically apply the criterion requiring Board members to have sat on the Board for less than twelve consecutive years. While length of service can, in certain cases, effectively reduce the independence of a director, as the influence of time can in fact alter the necessary distance with the Company and its management, it can, on the other hand, strengthen the ability of a director to question management and confer greater freedom of thought. It is this capacity and this freedom that the Board assessed on a case by case basis to determine the independence of these three directors.

(2) From a general standpoint, Veolia's activities cover multiple business lines and concern contracts, markets and investments dependent on numerous factors (macro-economic, financial, climatic and regulatory), whose profitability can only be assessed over the long-term (including as long as several decades in the case of concessions and public-private partnerships). The length of presence on the Board of Directors confers knowledge of the Group, experience, distance and judgement ability allowing a director to consider Executive Management proposals with more insight. This ability, acquired over time, is all the more important as the directors have in principle never been involved in Veolia's businesses, as it has only one directly comparable competitor.

(3) More specifically and personally, between April 30, 2003, the date they took office and today, these three directors have performed their duties during a period of change in management at the head of the Group (Mr. Henri Proglio from 2003 to 2009 followed by Mr. Antoine Frérot since 2010), accompanied by a complete overhaul in the Executive Committee in recent years and a profound change in the members of the Board of Directors over the same period. Any potential loss of independence in dealings with Executive Management or other directors due to the length of a director's presence on the Board does not therefore apply in the current case.

(4) Finally, the eminent positions held currently or previously outside the Board of Directors by these three directors and, particularly, their status as former executives of CAC 40 companies, confers on them authority and freedom to speak, that are true guarantees of independent judgment.

In conclusion, after finding that these directors meet all the criteria for independence of the AFEP-MEDEF Code, with the exception, where applicable, of length of service, the Board of Directors decided not to apply the 12-year service criterion as a criterion that would mechanically make them lose the status of independent directors insofar as their expertise, their experience and their knowledge of the Group are unquestionably assets which, in this case, do not represent a source of conflict of interest.

The following table presents the compliance of each director with the independence criteria defined by the AFEP-MEDEF Code. The criteria corresponding to the numbers in the following table are presented on the preceding page in the section "Director independence criteria".

	Criterion no. 1	Criterion no. 2	Criterion no. 3	Criterion no. 4	Criterion no. 5	Criterion no. 6	Classification
Antoine Frérot		●	●	●	●	●	Not independent
Louis Schweitzer	●	●	●	●	●	● (1)	**Independent**
Homaira Akbari	●	●	●	●	●	●	**Independent**
Jacques Aschenbroich	●	●	●	●	●	●	**Independent**
Maryse Aulagnon	●	●	●	●	●	●	**Independent**
Daniel Bouton	●	●	●	●	●	● (1)	**Independent**
Caisse des dépôts et consignations, represented by Olivier Mareuse	●			●	●	●	Not independent
Isabelle Courville	●	●	●	●	●	●	**Independent**
Clara Gaymard	●	●	●	●	●	●	**Independent**
Marion Guillou	●	●	●	●	●	●	**Independent**
Pavel Pása, *Director representing employees*	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Baudouin Prot	●	●	●	●	●	● (1)	**Independent**
Qatari Diar Real Estate Investment Company, represented by Khaled Al Sayed	●	●	●	●	●	●	**Independent**
Nathalie Rachou	●	●	●	●	●	●	**Independent**
Paolo Scaroni	●	●	●	●	●	●	**Independent**
Guillaume Texier	●	●	●	●	●	●	**Independent**
Pierre Victoria, *Director representing employees*	N/A	N/A	N/A	N/A	N/A	N/A	N/A

● *means compliance with the AFEP-MEDEF Code in relation to the independence criteria.*

(1) see reasons above

N/A: Not applicable

As of the date of filing of this Registration Document, the Company's Board of Directors therefore has **13 independent members out of a total of 15 directors** (the directors representing employees are not taken into account when determining these percentages), representing a rate of **86.6%**, in excess of the AFEP-MEDEF Code recommendation[1].

Subject to the approval of the renewals proposed to the General Shareholders' Meeting of April 20, 2017, the Board of Directors will still have 13 independent members out of a total of 15 directors, excluding the two directors representing employees.

(1) Pursuant to Article 8.3 of the AFEP-MEDEF Code, "The independent directors should account for half the members of the Board in widely-held companies without controlling shareholders. In controlled companies, independent directors should account for at least one third of Board members. Directors representing the employee shareholders and ***directors representing employees are not taken into account when determining these percentages.*** *".*

7.2.1.4 Powers and work of the Board of Directors

Powers of the Board of Directors

In accordance with the law, the Board of Directors establishes the policies concerning the Company's business and supervises their implementation. Subject to the powers expressly granted to General Shareholders' Meetings and within the limits of the corporate purpose, the Board of Directors has the authority to consider all matters concerning the proper operation of the Company and, by its deliberations, resolves matters that concern the Board.

In addition to the powers conferred on the Board of Directors by the law, its internal regulations impose an internal requirement that certain major decisions of the Chairman and Chief Executive Officer be submitted for prior approval by the Board of Directors. These internal limits on powers are detailed below (see Section 7.3.2 below).

Meeting frequency, duration and attendance

According to its internal regulations, the Company's Board of Directors must meet at least four times a year.

In 2016, the Board of Directors met seven times and its meetings lasted an average of three hours (as in 2015). In addition, on December 8 and 9, 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. In addition to Veolia's future with industrial and municipal customers, the Board notably discussed combing a digital policy with the Group's businesses and the changes to be implemented in the energy services sector, together with its stakes and challenges, Veolia's assets for developing in this sector in order to offer a positioning specific to the Group and the additional resources to be implemented to encourage the Group's development.

The average attendance rate at Board meetings in 2016 was **91.6%** (compared with 87.9% in 2015). The option to participate through electronic communication was used in four out of seven meetings in 2016 (compared with six out of nine meetings in 2015).

Individual attendance rates are presented in Section 7.1.1.2 above.

Date of Board of Directors' meeting (2016)	Attendance rate
February 24	15/17 (88.24%)
March 8	16/17 (94.12%)
April 21	14/17 (82.35%)
May 3	15/17 (88.24%)
June 13	16/17 (94.12%)
July 29	16/17 (94.12%)
November 2	16/17 (94.12%)

Work of the Board of Directors in 2016

In 2016, the Board of Directors examined the following points in particular:

- **Financial and cash positions and commitments of the Group:**
  - review of the 2015 annual financial statements and the 2016 first-half financial statements;
  - accounting information for the first and third quarters of 2016;
  - draft corresponding 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;
  - proposed convertible bond issue;
  - self-assessment of internal control and approval of the Chairman's report;
  - examination of the summaries and reports issued by its chairman on the work of the Accounts and Audit Committee.
- **Monitoring of the Group's strategic direction and major transactions and CSR policy:**
  - review of the 2016 budget and the long-term plan;
  - assessment, challenges and outlook for the Group's activities in China;
  - review of and developments concerning the transaction to withdraw from the share capital of Transdev Group and the situation with SNCM;
  - examination of a mid-sized acquisition in the United States;
  - review of the 2016 risk mapping;
  - review of the Group's non-financial ratings and the extent of roll-out of its sustainable development commitments;
  - review of the Group's energy policy;

- examination of the summaries and reports issued by its chairman on the work of the Research, Innovation and Sustainable Development Committee.

- **Corporate governance:**
  - approval of the Chairman and Chief Executive Officer compensation policy and amount for 2015 and 2016 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, particularly with regard to appointing women;
  - review of the policy on gender equality in employment and pay;
  - assessment of the independence of directors;
  - allocation of director's fees;
  - examination of the summaries and reports issued by its chairman on the work of the Nominations and Compensation Committees.
- **Other:**
  - transfer of the registered office and relocation of the Group's administrative headquarters;
  - convening of the annual Combined General Meeting and approval of the reports and draft resolutions;
  - 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 2016, the Board of Directors was regularly informed of key commercial developments and the initiatives planned by Executive Management. The Board of Directors, mainly through the reports of the Accounts and Audit Committee, was periodically informed of changes in the Group's financial and cash position and off-balance sheet commitments, as well as changes in significant litigation. The Group's Chief Financial Officer, General Counsel and the Legal Director attended Board meetings in 2016. 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.

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 8, 2016** on the results of the annual assessment conducted with the assistance of an external firm and by interviewing several Board members on the individual contribution of each of them. Generally speaking, the directors expressed considerable satisfaction with the activities of the Board, their relations with Executive Management and its actions. The reasons for satisfaction primarily concerned the quality of the organization and work of the annual seminar devoted to the Group's strategy, the introduction of visits to operating sites, the enrichment of debates and information through the introduction of updates at the beginning of each meeting, the good drafting of agendas and the meeting of deadlines for the provision of files prior to meetings. Compared with the 2015 assessment, the directors noted an improvement in information provided on the Group's businesses in the countries where it operates, the monitoring of restructuring plans and the strengthening of the Board's involvement in the Group's financial policy and transactions. The areas for improvement identified include the desire to spend more time on certain subjects such as the Group's human resources policy, the risk policy, the Group's position in France, monitoring the implementation of strategic decisions and the impact of rapid changes in digital technologies on Veolia's traditional markets. Furthermore, the results of this assessment led to the decision that directors would meet alone with the Chairman and Chief Executive Officer at the end of each Board of Directors' meeting for 15 minutes (Executive sessions) to allow informal discussions on any specific topics or news issues. With regard to the Board Committees and compared with the 2015 assessment, the directors noted a general improvement in the contribution and reporting of their work and considered that their composition was well adapted. Finally, a significant minority of directors would like to see a reduction in the size of the Board of Directors and directors have differing opinions on the Board expertise to be strengthened in the long-term. The welcome and training of directors was considered satisfactory and a net improvement on the past.

The Chairman of the Nominations Committee reported to the **Board of Directors' meeting of March 7, 2017** on the results of the annual assessment conducted with the assistance of an external firm and by interviewing nearly all Board members on the individual contribution of each of them. Once again and generally speaking, the directors expressed considerable satisfaction with the activities of the Board, their relations with Executive Management and its actions. Nearly all the directors that had participated in the previous assessment considered the Board's activities to be highly satisfactory. The 2016 strategy seminar organized over two half-days was particularly appreciated, both with regards to its format (identification beforehand of the expectations of directors to determine the issues covered) and content, enabling an extended period of debate. The areas for improvement identified include the desire to spend more time on human resource issues and the ex-post monitoring of acquisitions. Furthermore, the results of this assessment led to the decision that three times a year, directors would meet alone without the Chairman and Chief Executive Officer for 30 minutes (Executive sessions), to allow informal discussions on any specific topics or news issues. The directors considered the activities of the Board Committees to be satisfactory and that they facilitate decision-making by the Board. As during the previous assessment, the composition of the Board was considered globally appropriate. Finally, in response to a significant minority of directors who would like to see a reduction in the size of the Board of Directors, a review was launched of its composition. The directors also remain split on whether they are missing certain expertise. The selection and nomination process is considered adequate and enabled a significant change in the current composition of the Board.

Role of non-voting directors (*censeurs*)

The duties of non-voting director (*censeur*) in public limited companies are not recognized by law. Within Veolia Environnement, the Board of Directors may appoint one or more non-voting directors (*censeurs*) pursuant to Article 18 of the Articles of Association adopted by the Combined General Meeting of May 7, 2010. Pursuant to the Articles of Association the Board of Directors sets the duration of their term of office, which they may terminate at any time.

The role of a non-voting member (*censeur*) is to attend the Board of Directors' meetings in an advisory capacity, and the Board may freely ask their advice.

As of the date of the filing of the Registration Document, the Board of Directors has two non-voting directors (*censeurs*): Mr. Paul-Louis Girardot appointed on April 24, 2014 for a period of four years, expiring at the end of the 2018 General Shareholders' Meeting and Mr. Serge Michel appointed on April 21, 2016 for a period of four years, expiring at the end of the 2020 General Shareholders' Meeting. They are consulted extremely regularly due to their experience and knowledge of the Group and its businesses.

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 Board's periodic assessment work.

The Chairman has all the means required for the performance of his duties.

7.2.1.6 Senior Independent Director

Appointment of a Senior Independent Director

On October 21, 2009, the Board of Directors decided to create the position of Vice-Chairman, to assist the Chairman with his duty to ensure the proper operation of the Company's governing bodies, based on the British model of the Senior Independent Director. In accordance with the internal regulations of the Board, the Senior Independent Director is chosen from among the directors classified as independent for the duration of his/her term of office as an independent director. The Board appointed the independent director Mr. Louis Schweitzer to assume this position of Vice-Chairman, effective November 27, 2009.

On the recommendation of the Nominations and Compensation Committee, the Board decided to appoint him, with effect from the Annual General Meeting of May 16, 2012, as Senior Independent Director responsible for performing duties relating to the smooth running of the Company's governance bodies for the duration of his term of office, insofar as he remains an independent director as determined by the Board. At its meeting of March 14, 2013, in accordance with the recommendations of the Nominations and Compensation Committee, the Board of Directors approved the renewal of the appointment of Mr. Louis Schweitzer as Vice-Chairman, a role he held previously until the 2012 General Shareholders' Meeting and that he now combines with his role as Senior Independent Director. This appointment arose from the approval by the General Shareholders' Meeting of May 14, 2013 of the amendment to Article 12 of the Company's Articles of Association, increasing the maximum age for a Vice-Chairman from 70 to 75 years old. Mr. Louis Schweitzer's term of office as a director was renewed by the General Shareholders' Meeting of April 22, 2015 and his duties of Vice-Chairman and Senior Independent Director are exercised for the duration of his term of office, insofar as he remains an independent director as determined by the Board.

Role of the Senior Independent Director

The Senior Independent Director's duties include helping the Chairman ensure that the Company's governance bodies are running smoothly. In this regard, the Senior Independent Director examines, in particular, conflicts of interest, including potential conflicts of interest that may involve Board members or the Chairman of the Board with regard to the interests of the Company, whether they arise in connection with operational projects, strategic policies or specific agreements. He submits recommendations to the Chairman and the Board, after any necessary consultation with the other independent directors.

The Senior Independent Director is informed of the concerns of major shareholders not represented on the Board regarding governance matters and ensures that such concerns are addressed. If necessary, and in agreement with the Chairman of the Board, the Senior Independent Director himself may also respond to governance questions from major shareholders or meet with them, if the ordinary avenues involving the Chairman and Chief Executive Officer, or the Chief Financial Officer have been unable to handle such concerns or if the nature of the matter itself renders these ordinary avenues inadequate or inappropriate.

In the context of the assessment of the Board's operations pursuant to its internal regulations, the Senior Independent Director is particularly responsible for the assessment of the performance of the Chairman of the Board.

In 2016, in addition to the assessment of the performance of the Chairman of the Board and at the request of the Board of Directors of March 8, 2016, the Vice-Chairman and Senior Independent Director held a series of meetings in Paris and London with proxy advisors and the governance departments of certain major investors. These meetings enabled the Vice-Chairman and Senior Independent Director to identify the expectations of these advisors and investors and to discuss a range of issues concerning governance and the compensation policy.

7.2.1.7 Securities trading by corporate officers

Reporting obligations and ban on securities trading

According to the Board's internal regulations, each director and non-voting member (*censeur*) must report all transactions in the Company's securities to the AMF (the French Financial Markets Authority) and to the Company and comply, in particular, with the provisions of Article L. 621-18-2 of the French Monetary and Financial Code and Article 223-22 of the AMF's general regulations (a table detailing transactions in Veolia Environnement securities carried out by directors in 2016 is presented in Section 7.5.1 below). The members of the Board of Directors and Company executives or key senior management, or any person with close ties to them, shall report all acquisitions, sales, subscriptions or trades in the Company's securities and financial instruments to the AMF, within three trading days of completion.

In addition, directors and executive corporate officers are also subject to French regulations on breach of duty and insider trading, which penalize the use or disclosure of privileged information. In accordance with Regulation (EU) no. 596/2014 and Commission Implementing Regulation (EU) 2016/347 of March 10, 2016, the Company prepares and updates a list of insiders, which is made available to the AMF.

The Company's directors and executive corporate officers are required to comply with the provisions of the Company's Code of Conduct with respect to securities transactions (see Chapter 5, Section 5.2.2.2.6 above). In that respect, the members of the Board of Directors and of the Executive Committee in particular, may not buy or sell the Company's securities, directly or through a third-party intermediary, during certain periods: during the five-week period up to and including the date of publication of the annual financial statements, the four-week period up to and including the publication of the interim financial statements, and the two-week period up to and including the date of publication of quarterly financial information, or even outside of those periods so long as they possess insider information. In order to prevent any difficulties relating to the application of the Code of Conduct, the individuals in question should consult with the Group's Legal Department or the General Counsel.

Corporate officer obligation to hold shares

In accordance with Article L. 225-185 of the French Commercial Code, the Company's Board of Directors decided on March 29, 2007, at the recommendation of the Nominations and Compensation Committee, to apply a rule requiring its Chairman and Chief Executive Officer to set up a Veolia Environnement share portfolio equal to 50% of the balance of shares resulting from the exercise of options, after payment of tax (capital gains tax and mandatory social security contributions) and the cost of financing (number of options that it is necessary to exercise by combined exercise and sale in order to finance the exercise price of the portfolio and the tax). This rule has not been applied in practice, as the performance condition set in the 2007 share subscription plan was not satisfied, and no options or performance shares have been awarded to corporate officers since that date. It will be reassessed by the Board in the future and notably if options or performance shares are awarded to the Chairman and Chief Executive Officer.

7.2.1.8 Other Information on the operation of the Board

This section summarizes the corresponding sections of the Board of Directors' internal regulations.

Rights and obligations of directors

According to the Board's internal regulations, its members are subject to the following obligations: to act in the Company's best interests; to inform the Board of any conflict of interest, even potential, and to abstain from voting on any decisions in which they may have a conflict of interest; to perform their duties in accordance with statutory provisions, notably those concerning limits on the number of offices, and to regularly attend Board and Committee meetings; to stay informed in order to be able to deal effectively with the agenda items; to consider themselves bound by professional secrecy and by a duty of loyalty; and, to comply with the Company's Code of Conduct with respect to securities transactions. The members of the Board of Directors and, where applicable, the Chief Executive Officer are required to promptly report to the Chairman of the Board any agreement signed by the Company in which they have a direct or indirect interest or which was concluded through an intermediary on their behalf.

Each director receives a periodically updated "Directors' Guide" which includes the following primary documents: the Company's Articles of Association, the appointment procedure for, and the duties of, the Chairman and Chief Executive Officer, the appointment procedure for, and the duties of the Vice-Chairman and Senior Independent Director, the internal regulations of the Board of Directors and of the Accounts and Audit Committee, the Nominations and Compensation Committees and the Research, Innovation and Sustainable Development Committee, the French regulations applicable to Audit Committees, the Company's Code of Conduct for securities trading and compliance with French stock exchange legislation, the list of directors and the expiry dates of their terms of office, the composition of the Board of Directors' Committees, useful contacts for members of the Board of Directors and the Committees, the composition of the Executive Committee and the current version of the AFEP-MEDEF Code.

Information provided to directors

The Chairman provides directors, in a timely manner, with the necessary information for them to fully perform their duties. In addition, the Chairman provides the members of the Board with all significant information concerning the Company on an ongoing basis. Each director receives and has the right to request all necessary information to perform his/her duties, and may also request additional training concerning specific aspects of the Company and the Group.

In order to fulfill their duties, the directors may meet with the key management personnel of the Company and Group, subject to giving prior notice to the Chairman of the Board.

At the request of the Chairman or of a director, the heads of the Group's divisions may be invited to any Board meeting devoted to the outlook and strategy for their business sector.

Meeting attendance by electronic means of communication

Directors may participate in Board discussions by videoconference or other electronic means of communication, in the manner and on the terms set out in Articles L. 225-37 and R. 225-21 of the French Commercial Code and as provided for by the internal regulations of the Board of Directors. In such case, directors are deemed to be present for the purpose of calculating quorum and majority, except with regard to the vote on certain major decisions as provided by law and by the Board's internal regulations (in particular, the approval of the annual financial statements and the preparation of the management report and the consolidated financial statements).

7.2.2 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

	Independent	Position	First appointment/ Most recent appointment	Attendance rate	Number of meetings in 2016
Daniel Bouton[(1)]	♦	Chairman	01/01/2010	100%	6
Homaira Akbari	♦	Member	04/21/2016	75%	
Jacques Aschenbroich	♦	Member	12/12/2012	100%	
Nathalie Rachou	♦	Member	12/12/2012	66.6%	
Pierre Victoria*	N/A	Member	11/05/2014	100%	
INDEPENDENCE RATE	100%				

(1) *Member of the Audit and Accounts Committee since November 2, 2009 and Chairman of the Committee since January 1, 2010.*

* *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. 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 March 8, 2016, the Board of Directors adjusted the composition of the Accounts and Audit Committee introducing Mrs. Homaira Akbari (an independent director) as an additional member with effect from the end of the General Shareholders' Meeting of April 21, 2016 (the percentage of independent members remains unchanged).

According to the internal regulations of the Accounts and Audit Committee, its members are selected for their financial or accounting expertise, and at least one Committee member must have specific financial or accounting expertise and be independent according to the criteria specified in the Board of Directors' internal regulations. On March 24, 2011, the Board of Directors classified Mr. Daniel Bouton, a member of the Accounts and Audit Committee, as a "financial expert" as defined by French law, having determined that he has the necessary qualifications and experience.

Duties of the Committee

The duties of the Accounts and Audit Committee, according to its internal regulations adopted by the Board, include the tasks assigned by the regulations governing the internal control of financial and accounting information stipulated by the Order of December 8, 2008 enacting into French law the Eighth Directive on the Statutory Audit of Accounts (Directive 2006/43/EC) and the AMF recommendations of July 2010. They also include the duties defined by the applicable American Sarbanes-Oxley Act on the assessment of the internal control of financial and accounting information, but which no longer apply to the Group as of December 31, 2014 following the delisting of Veolia Environnement from the New York Stock Exchange (NYSE).

In general, the Accounts and Audit Committee is responsible for monitoring matters concerning the preparation and control of accounting and financial information and, in particular, for monitoring: (i) the integrity of the Group's financial statements and the process for preparing financial information; (ii) the effectiveness of internal control systems concerning financial and accounting information and the Group's management system for risks expressed in the accounting statements or identified by Executive Management that may affect the financial statements; (iii) the Group's compliance with statutory and regulatory requirements where these are relevant to financial reporting or internal control; (iv) the assessment of the Statutory Auditors' capabilities and independence; and (v) the performance by the Group's Internal Audit Department and the Statutory Auditors of their duties with respect to auditing the parent company and consolidated financial statements. In this regard, the Committee monitors more particularly the following activities:

- **the process of preparing accounting and financial information:** (i) together with the Statutory Auditors, reviewing the relevance and consistency of the accounting methods used to prepare the parent company and consolidated financial statements, examining whether major transactions are adequately processed on a Group-wide level; (ii) reviewing the scope of the consolidated companies and the procedures for collecting financial and accounting information and seeking the explanations and comments of the Statutory Auditors in this respect, where necessary; (iii) giving an opinion on the draft interim and annual parent company and consolidated financial statements prepared by Executive Management before those statements are presented to the Board; (iv) interviewing the Statutory Auditors, the members of Executive Management and financial officers, particularly on the off-balance sheet commitments, depreciation/amortization, provisions, goodwill and principles of consolidation; such interviews may be conducted without the presence of the Company's Executive Management; (v) acquainting itself with, and expressing an opinion on the process of preparing press releases on the publication of the annual or interim financial statements and the quarterly information; and in the context of the Board's examination of the press releases concerning, in particular, the annual and interim financial statements, making sure that the presentation of this financial information to the market is consistent with the information in the financial statements, according to the information in its possession;
- **internal audit:** (i) acquainting itself with the Company's audit charter; (ii) examining the Group's annual internal audit program on a yearly basis; (iii) periodically receiving information from the Company with regard to progress with the internal control audit program and the self-assessment of the internal control and risk management system, summaries of the audit assignments carried out and, once a year, an overall analysis of the main lessons learned from the auditing year; and (iv) interviewing the head of the Internal Audit Department and giving the Committee's opinion on the organization of the work of this department;

- **the effectiveness of internal control and risk management systems**, particularly in the context of Article L. 823-19 of the French Commercial Code (see the Order of December 8, 2008, enacting the Eighth Directive on the Statutory Audit of Accounts):
  - *concerning the monitoring of the effectiveness of internal control systems:* (i) periodically receiving information from the Company about the organization and procedures of internal control relating to financial and accounting information; (ii) interviewing the head of internal control and giving the Committee's opinion on the organization of the work of his/her department; (iii) hearing an annual report from the Ethics Committee on the whistle blowing system available to employees with respect to accounting, finance, management control and audit and all ethics issues; having significant matters referred to it by the Ethics Committee in such fields and ensuring the follow-up of those cases with this Committee,
  - *concerning the monitoring of the effectiveness of the management system for risks expressed in the accounting statements or identified by Executive Management that may have an effect on the financial statements:* (iv) periodically examining the mapping of the main risks identified by Executive Management that may affect the financial statements; (v) acquainting themselves with the main characteristics of the procedures for managing those risks and their results, based in particular on the work of the Risk Management Department, the Internal Audit Department and the Statutory Auditors in relation to internal control procedures; and (vi) following up on the implementation of corrective actions in relation to any identified weaknesses that might have an impact on the financial statements;
- **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 2016

The Accounts and Audit Committee organized its activities, as before, within the framework of a program drawn up for the year and approved by the Committee. Minutes are taken of the meetings and the Committee Chairman produces a report for the Board of Directors.

The Committee may interview persons outside the Company if it deems such interviews useful for the performance of its duties. In addition, the Committee may consult outside experts. It may also interview the Company's financial officers or the Statutory Auditors without the presence of the Chief Executive Officer. During the past year, the Chairman of the Accounts and Audit Committee and/or the Committee members interviewed and met: the Chairman and Chief Executive Officer, the Chief Financial Officer, the Director of Financial Control, the Legal Director and secretary of the Committee, the Group Audit Director, the Risk Management, Insurance and Compliance Officer, the Information Systems Director, the Tax Director, the Chairman of the Ethics Committee, the Cash-flow and Financing Director, and the Company's Statutory Auditors.

During these meetings, the Accounts and Audit Committee particularly:

- reviewed the annual and interim financial statements and the associated business reports;
- reviewed the main accounting options;
- reviewed the draft financial communications;
- reviewed impairment tests;
- 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 2016;
- examined the summary of the internal control activities and self-assessment for fiscal year 2015, certified by the Statutory Auditors;
- 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 2015 and the first half of 2016, and approved the internal audit program for 2017;
- reviewed with Company management the following key processes contributing to its duties: the financial policy and planned financing transactions, changes in internal control, investment and divestment procedures and processes, the legal reporting of major disputes, the risk management system and the Group's insurance program;
- examined planned divestitures and acquisitions, progress with Group restructuring transactions and developments with the SNCM situation and the transaction to withdraw from the share capital of Transdev Group;
- reviewed the Statutory Auditors' assignments for 2016. The Committee also reviewed the Statutory Auditors' fee budget for 2016 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.

7.2.2.2 Nominations Committee[1]

Members and activities

	Independent	Position	First appointment/ Most recent appointment	Attendance rate	Number of meetings in 2016
Louis Schweitzer, *Vice-Chairman and Senior Independent Director*	♦	Chairman	03/25/2014	100%	4
Maryse Aulagnon	♦	Member	03/25/2014	100%	
Paolo Scaroni	♦	Member	04/21/2016	100%	
INDEPENDENCE RATE	100%				

♦ *Independent pursuant to AFEP-MEDEF Code independence criteria, as assessed by the Board of Directors.*

In accordance with its internal regulations, the Nominations Committee is comprised of three to six members, who are appointed by the Board of Directors at the recommendation of the Nominations Committee. The Committee members are selected from among the directors who do not hold management positions. The Chairman of the Committee is appointed by the Board of Directors at the recommendation of the Committee.

During its meeting of March 8, 2016, the Board of Directors adjusted the composition of the Nominations Committee introducing Mr. Paolo Scaroni (an independent director) as an additional member with effect from the end of the General Shareholders' Meeting of April 21, 2016.

Duties of the Committee

The duties of this Committee are as follows:

- **nominations**: the Committee is charged with making recommendations regarding the future composition of the Company's management bodies and, more importantly, it is responsible for selecting the Company's corporate officers and developing a succession plan; it also recommends the appointment of directors and of the members, as well as the Chairman of each Board Committee, striving to ensure diversity in experience and points of view, while making certain that the Board of Directors retains the necessary objectivity and independence vis-à-vis any specific shareholder or group of shareholders. The Committee gives its opinion on the succession plan for the Company's key managers who are not corporate officers of the Company. The Committee strives to ensure that at least (i) one-half of the directors, (ii) two-thirds of the members of the Accounts and Audit Committee and (iii) one-half of the members of the Nominations Committee are independent directors. Each year, the Nominations Committee conducts a case-by-case assessment of each director with regard to the independence criteria set forth in the internal regulations of the Board of Directors and makes proposals to the Board of Directors for the Board's review of the position of each director in question;
- **assessment**: the Nominations Committee assists the Board in its periodic assessments. It prepares the Board's annual assessment of its organization and operation, and leads the formal assessment of the Board that is carried out every three years by an outside organization. Each year, the Committee provides the Board of Directors with a report assessing the performances of the Chairman and of the directors, as well as the actions of Executive Management. Lastly, each year, the key managers who are not corporate officers of the Company meet with each member of the Committee.

Activities in 2016

In 2016, the Nominations Committee focused on changes in the composition of the Board of Directors, the search for and review of candidates to serve on the Board, the report of the formal assessment of the Board and its Committees, and the review of the independence of directors.

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.

(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.*

7.2.2.3 Compensation Committee[1]

Members and activities

	Independent	Position	First appointment/ Most recent appointment	Attendance rate	Number of meetings in 2016
Louis Schweitzer, *Vice-Chairman and Senior Independent Director*	♦	Chairman	04/30/2003	100%	7
Daniel Bouton	♦	Member	04/01/2005	100%	
Clara Gaymard	♦	Member	04/21/2016	100%	
Marion Guillou	♦	Member	11/05/2014	100%	
Pierre Victoria*	N/A	Member	11/05/2014	85.7%	
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

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 March 8, 2016, the Board of Directors adjusted the composition of the Compensation Committee introducing Mrs. Clara Gaymard (an independent director) as an additional member with effect from the end of the General Shareholders' Meeting of April 21, 2016.

Proposed changes in 2017

During its meeting of March 7, 2017, the Board of Directors adjusted the composition of the Compensation Committee introducing Mrs. Maryse Aulagnon (an independent director) as an additional member with effect from the end of the General Shareholders' Meeting of April 20, 2017.

Duties of the Committee

The duties of this Committee are as follows:

- **to study and make proposals regarding the overall compensation of the Company's executive corporate officers**, in particular with regard to the rules and criteria governing the variable portion of compensation consistent with the annual assessment of their performance and the medium-term strategy and performance of the Company and the Group, and with regard to the granting of in-kind corporate benefits, share subscription or purchase options and the allocation of free shares, pension plans, termination compensation and any other benefits, ensuring that all such components are taken into account in assessing and setting their overall compensation;
- **to recommend to the Board of Directors an overall amount of directors' fees** to be paid to directors, as well as the rules for their distribution;
- to present its opinion to the Board of Directors on the general policy and terms and conditions for granting share purchase or subscription options, the allocation of free shares and the setting-up of employee share ownership plans, as well as Company or Group employee profit-sharing measures;
- to make proposals to the Board concerning the granting of stock options and, if applicable, free shares to the Company's corporate officers, as well as with respect to the performance conditions applicable thereto;
- to make proposals to the Board concerning the obligation for the Company's executive corporate officers to hold shares obtained by exercising stock options or, if applicable, the allocation of free shares;
- to present its opinion on the compensation policy for the Company's key managers who are not corporate officers of the Company or of other companies in the Group.

(1) *The Compensation Committee was formed by the split of the Nominations and Compensation Committee into two distinct Committees, decided by the Board of Directors' meeting of March 25, 2014.*

Activities in 2016

In 2016, 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 2015 and the 2016 compensation policy, reviewing the directors' fees' budget and allocation and examining a free share grant plan for employees and a performance share grant plan for the Chairman and Chief Executive Officer and key managers. This plan was finally not implemented (see Sections 7.4.1.1 and 7.4.3.1.1 below).

7.2.2.4 Research, Innovation and Sustainable Development Committee

Members and activities

	Independent	Position	First appointment/ Most recent appointment	Attendance rate	Number of meetings in 2016
Jacques Aschenbroich	♦	Chairman	12/12/2012	100%	3
Marion Guillou	♦	Member	12/12/2012	100%	
Pavel Páša*	N/A	Member	11/05/2014	100%	
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 2016 (as in 2015). The average attendance rate was 100% (as in 2015).

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.

Proposed changes in 2017

During its meeting of March 7, 2017, the Board of Directors adjusted the composition of the Research, Innovation and Sustainable Development Committee introducing Mrs. Isabelle Courville, Mrs. Clara Gaymard and Mr. Guillaume Texier (independent directors) as additional members with effect from the end of the General Shareholders' Meeting of April 20, 2017.

Duties of the Committee

The main duty of this Committee is to assess the Group's strategy and policies in these areas and to issue an opinion to the Board of Directors.

The Committee is informed of programs and priority actions undertaken and assesses the results thereof. In particular, it keeps abreast of the budgets and staff levels and gives its opinion regarding the allocation of means and resources and whether they are appropriate in light of the strategic choices made.

The Committee's main contacts are the Chairman of the Company's Board of Directors, Executive Management and the Executive Committee, the Group's Research, Innovation and Sustainable Development departments, as well as any other manager within the Company who has information or opinions that may be of use to the Committee.

The Committee may also interview persons outside the Company if it deems such interviews to be of use in the performance of its duties. In addition, the Committee may consult outside experts.

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 2016

In 2016, the Committee focused successively on the Group's position with respect to the circular economy, the development of Veolia's activities in the food and beverage sector, its CSR performance and non-financial ratings and the extent of roll-out of its sustainable development commitments.

7.3 Executive Management and the Executive Committee

7.3.1 FORM OF ORGANIZATION OF EXECUTIVE MANAGEMENT'S POWERS

As a French public limited company (*société anonyme*) with a Board of Directors, the Company is legally entitled to opt either for a separation of the roles of Chairman and Chief Executive Officer or to have a single person hold both these positions. As mentioned in the AFEP-MEDEF Code, the law states no preference between those two options. Accordingly, the Board of Directors may choose between these two forms of executive management in accordance with their specific requirements.

The Board of Directors of the Company decided to entrust the executive management of the Company to Mr. Antoine Frérot (see, Section 7.1 above). His term of office began on November 27, 2009 and was extended on December 12, 2010 until the end of the General Shareholders' Meeting called to approve the 2014 financial statements. His term of office was renewed again on April 24, 2014 until the end of the General Shareholders' Meeting called to approve the 2017 financial statements. At the same Board meeting of December 12, 2010, the Board formally noted the resignation of Henri Proglio as Chairman and decided, on the recommendation of the Nominations and Compensation Committee, to change the management form of the Company and to approve the principle of combining the duties of Chairman of the Board with those of the Chief Executive Officer. The choice to combine the positions of Chairman and Chief Executive Officer was reiterated by the Board on April 24, 2014.

This combined form of management was adopted for the following reasons:

- Henri Proglio held the combined duties of Chairman and Chief Executive Officer from 2003 to the end of 2009, and that form of management proved to be perfectly effective for Veolia Environnement during that period;
- the changes in the Company's governance resulting from the appointment of Henri Proglio as Chairman and Chief Executive Officer of EDF were subject to an in-depth review by the Board in 2009. The Board decided that it was in the interest of the Company and its shareholders to separate the duties of Chief Executive Officer from those of Chairman of the Board to maintain the Company's continuity and stability towards its customers and employees during a transition period. This separation of executive powers ended on December 12, 2010;
- this combined form of governance, led by the Chairman and Chief Executive Officer who has in-depth knowledge of the Group's activities and businesses after more than 25 years with the Company, ensures unified management that is more suitable and effective within a decentralized group such as Veolia Environnement.. It is also more tightly knit and responsive, since it simplifies the processes of decision-making and responsibility, for example in the implementation of the Group's far-reaching transformation process completed in 2015 and the current 2016-2018 plan with the objective of a revived Veolia achieving profitable, targeted and consistent growth by capitalizing on the achievements gained through the process of transformation;
- the existence of a Senior Independent Director who is also the Vice-Chairman of the Board (see Section 7.2.1.6 above), the limits on powers stipulated by the Board's internal regulations (see Section 7.3.2 below), the presence on the Board of a majority of independent directors and two directors representing employees, offer all the guarantees necessary for the exercise of the combined form of management in accordance with the practices of good governance;
- finally, regarding the practices of CAC 40 companies, it is the preferred management system since most companies with a Board of Directors have opted for this combined form of management.

7.3.2 LIMITS ON THE POWERS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and Chief Executive Officer, who assumes the duties of executive management, is fully empowered to act in the name of the Company under any circumstances. He is required to act within the limits of the corporate purpose, subject to those powers that the law expressly confers on shareholders' meetings and the Board of Directors. He represents the Company in its relations with third parties.

The powers carried out by the Chairman and Chief Executive Officer are limited by the internal regulations of the Board of Directors. Thus, according to these internal regulations, the following decisions of the Chief Executive Officer require prior approval by the Board:

- determining the Group's strategic direction;
- Group transactions of an individual amount in excess of €300 million, with the exception of financing transactions;
- after consultation with and the recommendation of the Accounts and Audit Committee, investment or divestment transactions of the Group, including a commitment of between €150 million and €300 million per transaction, with the exception of financing transactions;
- financing transactions, whatever their terms, (including the early redemption or repurchase of debt) amounting to more than €1.5 billion per transaction if carried out in a single tranche and €2.5 billion if the transaction is carried out in several tranches;
- transactions in the Company's shares involving an overall amount in excess of 1% of the Company's total shares.

7.3.3 EXECUTIVE COMMITTEE

In accordance with the Company's principles of corporate governance and practice since April 30, 2003, the Chairman and Chief Executive Officer is supported by an Executive Committee.

Chaired by Antoine Frérot, the Executive Committee is convened whenever the Group's major policies are established, for the purposes of reflection, consultation and decision-making. It is also consulted on major Group projects. The Executive Committee meets monthly.

In order to further enhance the Company's capabilities to assess and oversee projects, a Group Commitment subcommittee was created in 2008 to conduct in-depth reviews of major Group projects before, where appropriate, their submission to the Board of Directors for authorization depending on the amounts involved. The Group Commitment subcommittee is chaired by the Chairman and Chief Executive Officer and includes the Chief Operating Officer, the Chief Financial Officer, the General Counsel, the Technical and Performance Manager and the Innovation and Markets Senior Executive Vice President. Issues and topics are presented to it by the Regional Manager in charge of the project.

As of the date of filing of this Registration Document, the Company's Executive Committee comprises eleven members:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer;
- Laurent Auguste, Senior Executive Vice President, Development Innovation and Markets;
- François Bertreau, Chief Operating Officer;
- Estelle Brachlianoff, Senior Executive Vice President, United Kingdom, Ireland;
- Régis Calmels, Senior Executive Vice President, Asia;
- Philippe Capron, Chief Financial Officer;
- Philippe Guitard, Senior Executive Vice President, Central and Eastern Europe;
- Patrick Labat, Senior Executive Vice President, Northern Europe;
- Jean-Marie Lambert, Senior Executive Vice President, Human Resources;
- Claude Laruelle, Director of Global Enterprises;
- Helman le Pas de Sécheval, General Counsel.

7.4 Compensation and benefits AFR

A summary of compensation paid or payable in respect of fiscal year 2016 to the Chairman and Chief Executive Officer, Antoine Frérot and the 2017 compensation policy presented for shareholder vote at the Combined Shareholders' Meeting of April 20, 2017, 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 2016 to the Chairman and Chief Executive Officer, directors and other senior executives by the Company and by controlled companies within the meaning of Article L. 233-16 of the French Commercial Code is detailed below.

It is noted that the Board of Directors of Veolia Environnement, at its meeting on January 7, 2009, confirmed that the AFEP-MEDEF Code would be the reference used by Veolia Environnement, notably in regard to the compensation of executive corporate officers. This Registration Document and, in particular, the tables in Sections 7.4.1 and 7.4.3.1 below (share subscription and/or purchase options, free shares, performance shares) have been prepared in accordance with the format recommended by the AFEP-MEDEF Code and the AMF's recommendation no. 2012-02.

7.4.1.1 Compensation of the Chairman and Chief Executive Officer

The compensation paid by Veolia Environnement to Mr. Antoine Frérot, Chairman and Chief Executive Officer, is decided by the Board of Directors at the recommendation of the Compensation Committee. It is presented for shareholder vote pursuant to the "say on pay" framework and in accordance with the provisions of the Sapin II Law of November 8, 2016 and the AFEP-MEDEF Code.

Mr. Antoine Frérot does not have an employment contract with the Company.

His compensation comprises the following components:

- fixed compensation;
- annual variable compensation tied to annual objectives;
- a benefit in kind, corresponding to a company car.

In addition, Mr. Antoine Frérot is entitled to:

- a long-term incentive compensation plan, known as the "Management Incentive Plan" (MIP);
- severance payments;
- a supplementary defined contribution pension plan.

General principles applicable to annual compensation and additional components

Fixed compensation

Mr. Antoine Frérot has received annual fixed compensation of €950,000 for his duties as Chairman and Chief Executive Officer since fiscal year 2015.

In accordance with the recommendations of the Compensation Committee, the Board of Directors' meeting of March 8, 2016 decided to set the frequency of review of fixed compensation at every three years, in the absence of any major events, with effect from January 1, 2016.

Annual variable compensation

Since 2003, Mr. Antoine Frérot's variable compensation is split between a quantitative portion (70%) and a qualitative portion (30%).

The quantitative and qualitative objectives and criteria underlying the variable compensation are set at the beginning of each year by the Board of Directors for the current year, at the recommendation of the Compensation Committee. The Board of Directors also discusses the determination of 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.

Mr. Antoine Frérot'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 ("Target bonus base").

At its meeting of March 8, 2016 and at the recommendation of the Compensation Committee, the Board of Directors set the "Target bonus base" at 100% of 2016 annual fixed compensation (compared with 125% of annual fixed compensation for prior years since 2011). Variable compensation is capped at a percentage of annual fixed compensation. The Board of Directors' meeting of March 8, 2016 set this cap at 140% of annual fixed compensation for 2016.

The quantitative portion of variable compensation (70% of the Target bonus base) is determined based on criteria and financial indicators and its amount depends on actual results compared with budget objectives set by the Board of Directors. These objectives seek to reflect the mid-term outlook published by the Group.

Based on the recommendations of the Compensation Committee and the attainment of qualitative criteria, the Board of Directors performs an overall assessment of the qualitative portion of variable compensation. The criteria considered for the qualitative portion of variable compensation for the last three years are presented below.

Additional components of annual compensation

In addition to his compensation, Mr. Antoine Frérot is entitled to a company car and to social security benefits equivalent to those of employees (healthcare and insurance). He is also eligible to participate in the supplementary defined contribution group pension plan applicable since July 1, 2014, presented in Section 7.4.2 below.

Determination of the compensation of the Chairman and Chief Executive Office, Mr. Antoine Frérot, for fiscal years 2014, 2015 and 2016

Fixed compensation and benefits

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%). In accordance with the recommendations of the Compensation Committee, the Board of Directors' meeting of March 10, 2015 decided to increase the fixed compensation awarded to Mr. Antoine Frérot from €900,000 to €950,000 with effect from fiscal year 2015, given the excellent results achieved in 2014, this portion having remained unchanged since January 2011.

Annual variable compensation

2014 variable compensation

Following the proposals made by the Nominations and Compensation Committee, the Board of Directors' meeting of March 11, 2014 decided to:

- keep the same weighting for the quantitative (70%) and qualitative (30%) portions;
- retain the Target bonus base at 125% of fixed compensation, i.e. €1,125,000 in the event of 100% attainment of annual objectives;
- cap the 2014 variable compensation at €1,282,500 or 114% of target variable compensation;
- set the following criteria for the 2014 variable compensation (third year of the Group's transformation):
  - **the criteria for the quantitative portion** of variable compensation (70% of the Target bonus base) were set with regard to the attainment of the budget objectives for:

    (i) growth in net free cash flow (before financial investments and financial divestments and dividends)[1] (hereinafter referred to as "Free cash flow) (weighted 35%),

    (ii) the increase in Adjusted Operating Income (weighted 35%).

    These criteria were consistent with the Group's two major objectives announced in 2014 which were to decrease debt and to significantly improve profitability.
  - **the criteria for the qualitative portion** of variable compensation (30% of the Target bonus base) were assessed by the Board of Directors, at the recommendation of the Compensation Committee, based on the performance of the Chairman and Chief Executive Officer, Mr. Antoine Frérot, in further implementing the Group's strategic transformation plan and the improvements made by him, as Chairman of the Board of Directors, to the quality of the Board of Directors' activities.

Based on the results and the attainment of the 2014 objectives, the Board of Directors' meeting of March 10, 2015, at the recommendation of the Compensation Committee, set and approved the total amount of Mr. Antoine Frérot's variable compensation (quantitative and qualitative portions) in respect of fiscal year 2014 as follows:

- the quantitative portion of variable compensation was calculated at €869,613, i.e. 110.4% of the target quantitative variable compensation (quantitative Target bonus base), reflecting an attainment rate of 120% for the Free cash flow criterion and of 100.8% for the Adjusted Operating Income criterion;
- the Board of Directors decided to award Mr. Antoine Frérot €337,500 for the qualitative portion of his 2014 variable compensation, i.e. 100% of the target qualitative variable compensation (qualitative Target bonus base), primarily for having achieved transformation plan results exceeding budget objectives and for the improvements made, among other things, in conducting the Board of Directors' seminar dedicated to Group strategy.

Mr. Antoine Frérot's variable compensation (quantitative and qualitative portions) for fiscal year 2014 is therefore €1,207,113, or 107.3% of his Target bonus base.

(1) *see Chapter 3, Section 3.8.3 above - Definitions.*

2015 variable compensation

Following the proposals made by the Compensation Committee in line with the Group's objectives, the Board of Directors' meeting of March 10, 2015 decided to:

- keep the same weighting for the quantitative (70%) and qualitative (30%) portions;
- increase the amount of the Target bonus base to €1,187,500 or 125% of fixed compensation, if objectives are 100% attained;
- cap the 2015 variable compensation at €1,353,750 or 114% of target variable compensation;
- set the following criteria for the 2015 variable compensation :
  - **the criteria for the quantitative portion** of variable compensation (70% of the Target bonus base) were adjusted with regard to the attainment of the Company's 2015 budget objectives for:

    (i) Group net free cash flow (before financial investments and financial divestments and dividends) (1) (weighted 35%),

    (ii) the increase in current EBIT (weighted 35%).

    These criteria formed part of the Group's objectives announced for 2015 concerning growth in the current EBIT and free cash flow indicators enabling notably coverage of dividend payments.
  - **the criteria for the qualitative portion** of variable compensation (30% of the Target bonus base) were assessed by the Board of Directors, at the recommendation of the Compensation Committee, based on:

    (i) the Chairman and Chief Executive Officer's performance in carrying out the Group's strategic transformation plan (weighted 20%),

    (ii) a Health and Safety criterion, tied to the decline in the frequency of workplace accidents (weighted 10%).

At its meeting of March 8, 2016, the Board of Directors, at the recommendation of the Compensation Committee, set and approved the total amount of Mr. Antoine Frérot's variable compensation (quantitative and qualitative portions) in respect of fiscal year 2015 as follows:

- the quantitative portion of variable compensation was calculated at €1,088,608, i.e. 131% capped at 120% of the target quantitative variable compensation ("quantitative Target bonus base), or €997,500, reflecting an attainment rate of 156% for the Free cash flow criterion and of 106% for the current EBIT criterion;
- At its meeting of March 8, 2016, the Board of Directors decided to award Mr. Antoine Frérot €356,250 for the qualitative portion of his 2015 variable compensation, i.e. 100% of the target qualitative variable compensation (qualitative Target bonus base), primarily for the excellent results of the Group's strategic transformation plan (20%) and the decrease in the rate of workplace accidents in the Group (10%).

Mr. Antoine Frérot's variable compensation (quantitative and qualitative portions) for fiscal year 2015 is therefore €1,353,750, or 114% of his Target bonus base for 2015. The cap on variable compensation for 2015 was 114% of his Target bonus base, which in turn is equal to 125% of fixed compensation, or €1,353,750.

2016 variable compensation

In accordance with the recommendations of the Compensation Committee, the Board of Directors' meeting of March 8, 2016 decided to set the method of calculating the 2016 variable compensation as follows:

- retention of the weightings at 70% for the quantitative portion and 30% for the qualitative portion;
- reduction of the variable target portion from 125% to 100% of annual fixed compensation (2016 Target bonus base);
- cap on target variable compensation at 140% of annual fixed compensation for 2016, or €1,330,000.

In addition, the criteria for the 2016 variable compensation were set as follows:

- **the criteria for the quantitative portion** of variable compensation (70% of the Target bonus base) were allocated as follows, it being noted that the quantitative portion will be equal to the total of the four components resulting from the application of each of these criteria separately:
  - 20% based on Group current EBIT,
  - 20% based on Group net free cash flow(1) before financial investments, financial divestments and dividends,
  - 30% based on organic growth in Group revenue (at constant exchange rates and excluding acquisitions and divestitures of more than €100 million but including acquisitions of privatized public services),
  - 30% based on Group ROCE (after tax);
- **the criteria for the qualitative portion** of variable compensation (30% of the Target bonus base) were as follows:
  - health and safety at work (basis: rate of workplace accidents with sick leave),
  - the environmental performance of the Group(2),
  - managerial performance,
  - strategic aspects.

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(1) see Chapter 3, Section 3.8.3 above - Definitions.

(2) Efficiency rate of drinking water networks; Rate of recovery from treated waste; CO_2 emissions by quantity of energy produced (via incineration); methane capture rate at landfill sites; production of renewable or alternative energy; energy efficiency of heating networks; biodiversity assessments and action plans.

At its meeting of March 7, 2017, the Board of Directors, at the recommendation of the Compensation Committee, set and approved the total amount of Mr. Antoine Frérot's variable compensation (quantitative and qualitative portions) in respect of fiscal year 2016 as follows:

- the quantitative portion of variable compensation was calculated at €554,553, reflecting a payment rate of 83.4% of the quantitative portion of the Target bonus base. This reflects a payment rate for the quantitative portion of the Target bonus base of 106.9% for the Group current EBIT criteria, 140% for the free cash flows criteria, 0% for the organic growth in Group revenue (at constant exchange rate) criteria and 113.3% for the Group ROCE (after tax) criteria;
- the Board of Directors decided to allocate €399,000 to Mr. Antoine Frérot in respect of the qualitative variable portion of his 2016 variable compensation, i.e. 140% of the qualitative portion of his Target bonus base. This rate reflects the excellent results, assessed overall, with regards to (i) health and safety at work (basis: rate of workplace accidents with sick leave); (ii) environmental performance (basis: 2015-2016 trend in 7 environmental indicators concerning the Group's activities[1] and (iii) managerial performance and strategic aspects.

Mr. Antoine Frérot's variable compensation (quantitative and qualitative portions) for fiscal year 2016 is therefore €953.553, or 100.3% of his Target bonus base. The cap on variable compensation for 2016 is 140% of his Target bonus base, which in turn is equal to 100% of fixed compensation.

Summary of the calculation of variable compensation

Criteria	Weighting	Percentage of the Target bonus base paid	Amount *(in euros)*
Quantitative	70%	83.4%	554,553
Qualitative	30%	140.0%	399,000
TOTAL 2016 VARIABLE COMPENSATION	100%	100.3%	953,553

Payment percentages for quantitative variable compensation

Criteria	Weighting (base 70%)	Percentage of the quantitative Target bonus base paid
Group current EBIT	20%	21.4%
Net free cash flow	20%	28.0%
Organic growth in Group revenue	30%	0.0%
Group ROCE (after tax)	30%	34.0%
TOTAL	100%	83.4%

In fiscal year 2016, total compensation paid to Mr. Antoine Frérot amounted to €2,305,749. Mr. Antoine Frérot thus received the fixed portion of his 2016 compensation (€950,000) and the variable portion of his 2015 compensation, paid in 2016 (€1,353,750). Finally, he received benefits in kind and waived his directors' fees for 2016 for positions held in the Company and other companies of the Group.

For fiscal year 2016, total compensation payable is €1,905,552, representing a 17.35% decrease on fiscal year 2015 and comprising the fixed portion of his 2016 compensation (€950,000), and the variable portion of his 2016 compensation (€953,553), as well as benefits in kind. Mr. Antoine Frérot did not receive directors' fees for his positions held in the Company and other companies of the Group.

Summary of compensation received by Mr. Antoine Frérot

The table below summarizes all types of compensation, which are set out in detail in the tables hereafter and in Section 7.4.3.1.2 below presenting information relating to share subscription or purchase options and performance shares.

Summary of compensation, options and shares awarded to Mr. Antoine Frérot (AFEP-MEDEF Code Table 1)

(in euros)	Fiscal year 2014	Fiscal year 2015	Fiscal year 2016
Total compensation payable for the fiscal year	2,109,146	2,305,787	1,905,552
Value of options granted during the fiscal year	0	0	0
Value of performance shares granted during the fiscal year	N/A	N/A	N/A
Value of other long-term compensation plans	N/A	N/A	N/A
TOTAL	2,109,146	2,305,787	1,905,552

N/A: not applicable

(1) *Efficiency rate of drinking water networks; Rate of recovery from treated waste; CO2 emissions by quantity of energy produced (via incineration); methane capture rate at landfill sites; production of renewable or alternative energy; energy efficiency of heating networks; biodiversity assessments and action plans.*

Summary of compensation paid or payable to Mr. Antoine Frérot (AFEP-MEDEF Code Table 2)

	Fiscal year 2014		Fiscal year 2015		Fiscal year 2016	
(in euros)	Amounts payable for the fiscal year	Amounts paid during the fiscal year	Amounts payable for the fiscal year	Amounts paid during the fiscal year	Amounts payable for the fiscal year	Amounts paid during the fiscal year
Fixed compensation	900,000	900,000	950,000	950,000	950,000	950,000
Annual variable compensation	1,207,113 (2)	887,127	1,353,750 (3)	1,207,113	953,553 (4)	1,353,750
Exceptional compensation			0	0	0	0
Directors' fees						
• Paid by Veolia Environnement	0	0	0	0	0	0
• Paid by controlled companies	0	0	0	0	0	0
Benefits in kind (1)	2,033	2,030	2,037	2,037	1,999	1,999
TOTAL	2,109,146	1,789,157	2,305,787	2,159,150	1,905,552	2,305.749

(1) Provision of a company car.
(2) Variable portion for 2014 paid in 2015.
(3) Variable portion for 2015 paid in 2016.
(4) Variable portion for 2016 paid in 2017.

Summary of multi-year variable compensation paid or payable to Mr. Antoine Frérot (AFEP-MEDEF Code Table 10)

(in euros)	Fiscal year 2014	Fiscal year 2015	Fiscal year 2016
	N/A	N/A	N/A
TOTAL	**N/A**	**N/A**	**N/A**

N/A: not applicable

2017 fixed compensation and variable compensation criteria

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 weightings at 70% for the quantitative portion and 30% for the qualitative portion;
- retention of the 2017 variable target portion at 100% of the annual fixed compensation (Target bonus base);
- cap on variable compensation at 160% of annual fixed compensation for 2017, or €1,520,000.

In addition, the criteria for the 2017 variable compensation were set as follows:

- **the quantitative 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 as follows, it being noted that the quantitative portion will be equal to the total of the four components resulting from the application of each of these criteria separately:
  - 20% based on Group current EBIT,
  - 20% based on Group net free cash flow before financial investments, financial divestments and dividends[1],
  - 30% based on organic growth in Group revenue (at constant exchange rates and excluding acquisitions and divestitures of more than €100 million but including acquisitions of privatized public services),
  - 30% based on Group ROCE (after tax);
- **the qualitative criteria** (30% of the Target bonus base), were also maintained unchanged on 2016 with respect to the following criteria for the 2017 variable compensation:
  - health and safety at work (basis: Group rate of workplace accidents with sick leave),
  - environmental performance of the Group (basis: change in 2017 in the environmental indicators analyzed for the 2016 qualitative compensation),
  - managerial performance,
  - strategic aspects.

Taking account of the recommendations of the Compensation Committee, the Board of Directors will perform an overall assessment of the 2017 qualitative portion based on these criteria.

(1) see Chapter 3, Section 3.8.3 above - Definitions.

Long-term compensation

Grant of share subscription or purchase options and performance shares

Grant of share subscription or purchase options: with regard to the share subscription or purchase option and performance share grant policy for the Company's Chairman and Chief Executive Officer, as of the date of filing of this Registration Document and since the former took office, the Board of Directors has not granted any financial instruments of this nature to the Chairman and Chief Executive Officer. Information regarding the grant or exercise of share subscription or purchase options during fiscal year 2016 can be found in Section 7.4.3.1 below. The Company's free share and performance share grant policy for 2016 and 2017 is set out in Section 7.4.3.1 below.

Grant of performance shares: the General Shareholders' Meeting of April 21, 2016, voted a resolution authorizing the grant of free shares, not subject to performance conditions, to all Group employees of the French scope and performance shares to a selection of Group executives including the Chairman and Chief Executive Officer. During its meeting of March 7, 2017, at the recommendation of the Chairman and Chief Executive Officer, the Board of Directors decided not to continue the implementation of these plans as a contribution to the additional cost savings plan approved by the Board of Directors' meeting of February 22, 2017. The implementation of these plans being null and void, the Chairman and Chief Executive Officer does not therefore hold any performance shares.

Long-term incentive compensation plan, known as the "Management Incentive Plan" (MIP)

In October 2014, the Group implemented a long-term incentive plan known as the "Management Incentive Plan" ("MIP") authorized by the Board of Directors at its meeting of August 27, 2014. The plan was intended for the Group's 300 key managers (including Mr. Antoine Frérot as Chief Executive Officer, and the Executive Committee).

This incentive plan was based on a joint investment approach, comprising the beneficiary's personal investment in Company shares combined with an allocation, subject to performance conditions, of shares ("Share Bonus") financed by the Group (no dilution impact primarily due to the allocation of treasury shares held by the Company). Subject to the attainment of performance conditions, the Share Bonus will vest on expiry of the plan in April 2018, subject to confirmation of the continued employment of the relevant beneficiary and of such beneficiary having retained all the initially invested shares. Under this plan, Mr. Antoine Frérot purchased 24,403 Company shares on October 22, 2014 at a market price of €13.04 per share.

The attainment of the performance condition relating to the share bonus vesting in respect of fiscal year 2016 was noted by the Compensation Committee on March 3, 2017 based on the accounts adopted by the Board of Directors on February 22, 2017. As of the date of filing of this Registration Document, the share bonus for fiscal year 2016 had not yet been calculated, as this calculation can only be finalized 20 trading days after the publication of the accounts on February 23, 2017. The share bonus vesting to Mr. Antoine Frérot in respect of 2016 is provisionally currently estimated at approximately 18,000 shares (representing approximately 30% of his annual fixed compensation). These shares will become available on expiry of the plan, i.e. on April 5, 2018. The detailed features of this incentive plan are presented in Section 7.4.3.2 below.

Directors' fees

At its meeting of March 7, 2017, the Board of Directors of Veolia Environnement took note of the renewal of Mr. Antoine Frérot's decision to waive his directors' fees for 2016. Moreover, since 2012, Mr. Antoine Frérot has decided to waive directors' fees paid by Group-controlled companies.

Severance payments and pension plans

Information on severance payments due in the event of termination of the office of Chairman and Chief Executive Officer and on pension plans is presented in Section 7.4.2.1 and Section 7.4.2.2 below, respectively.

Overview of the position as of December 31, 2016 (Table 11 of the AFEP-MEDEF Code)

	Employment contract [1]		Supplementary pension plan		Compensation or benefits payable or likely to be payable in the event of termination or a change of position		Compensation pursuant to a non-compete covenant	
Executive Corporate Officer	Yes	No	Yes	No	Yes	No	Yes	No
Antoine Frérot, Chairman and Chief Executive Officer Start date of term of office as Chief Executive Officer: November 27, 2009 End date of term of office as Chief Executive Officer: 2018 GSM		X [1]	X [2]		X [3]			X

(1) *Pursuant to a decision adopted by the Board of Directors on December 17, 2009, the employment contract of the Chief Executive Officer, Mr. Antoine Frérot, was terminated with effect from January 1, 2010.*

(2) *Mr. Antoine Frérot is a beneficiary of the supplementary defined benefit group pension plan set up for category 8 and higher executives of Veolia Environnement closed with effect from June 30, 2014. Since July 1, 2014, he is a beneficiary of the supplementary defined contribution group pension plan set up notably for category 8 and higher executives.*

(3) *Pursuant to a decision adopted by the Board of Directors on March 11, 2014, Mr. Antoine Frérot is entitled to compensation in the event of termination of his term of office as Chief Executive Officer, in accordance with the provisions of the "TEPA " Act (Article L. 225-42-1 of the French Commercial Code) and the AFEP-MEDEF Code (see Section 7.4.2.1 above).*

7.4.1.2 Compensation paid to directors[1]

Amount and allocation of directors' fees in 2016

The General Shareholders' Meeting of April 22, 2015, at the proposal of the Board of Directors and the recommendation of the Compensation Committee, set the total amount of directors' fees at €1,080,000. This request to increase the total amount of directors' fees was made to take account of the appointment of two directors representing employees on October 15, 2014, the appointment of an additional director of American nationality and residing in the United States, proposed to the General Shareholders' Meeting of April 22, 2015, the appointment of an additional non-voting member (*censeur*) of Canadian nationality and residing in Canada, the increase in directors' fees for directors and non-voting members (*censeur*) residing on another continent (€2,000 per meeting attended in person by the relevant director or non-voting member) and the reorganization of the Board Committees.

In accordance with the proposals of the Compensation Committee, the Board of Directors meeting of March 8, 2016 decided not to ask the General Shareholders' Meeting of April 21, 2016 to increase the total amount of directors' fee for 2016.

The Board of Directors also took note of the renewal of the decision by the Chairman and Chief Executive Officer to waive his directors' fees for 2016, and decided to continue allocating directors' fees in 2016 in the same way as in 2015[2], as follows: a fixed portion of 40% and a variable portion of 60% based on attendance rates; the Board of Directors meeting of March 25, 2014 decided to extend this rule to directors' fees allocated to Committee Chairmen and members.

(1) *Non-executive corporate officers.*

(2) *Directors' fees are allocated as follows:*

- *€33,600 for the office of director, including (a) a fixed amount of €13,440, divided into four quarterly payments of €3,360 per quarter, and (b) a potential variable amount of €20,160 maximum, divided into four quarterly payments and adjusted based on the number of meetings held during each quarter of the relevant fiscal year and the number of meetings that the director attends;*
- *an additional amount of €2,000 per meeting subject to attendance (physical presence of the relevant director or non-voting member) for directors and non-voting members (censeurs) residing on another continent;*
- *an additional amount of €8,400 subject to the attendance rate of a director as a member (not a chairman) of a Board committee;*
- *an additional amount of €100,000 subject to the attendance rate for the Vice-Chairman and Senior Independent Director;*
- *an additional amount of €67,200 subject to the attendance rate for the Chairman of the Accounts and Audit Committee;*
- *an additional amount of €33,600 subject to the attendance rate for the Chairman of the Nominations and Compensation Committees;*
- *an additional amount of €16,800 subject to the attendance rate for the Chairman of the Research, Innovation and Sustainable Development Committee; and*
- *€16,800 for the office of non-voting member (i.e., 50 % of the amount payable for the office of director), half of which payable in proportion to the attendance rate of the non-voting member (censeur) at meetings.*

Table of directors' fees in 2016-2015

The table below shows the amount of directors' fees paid in 2016 and 2015, as well as the amount payable for these two fiscal years to members of the Board of Directors of Veolia Environnement by the Company and by controlled companies. Moreover, since 2012, Mr. Antoine Frérot has decided to waive directors' fees paid by Group-controlled companies.

	2016				2015			
	Amounts[(1)] payable for the fiscal year		Amounts[(1)] paid for the fiscal year		Amounts[(1)] payable for the fiscal year		Amounts[(1)] paid for the fiscal year	
(in euros) Director	By the Company	By controlled companies	By the Company	By controlled companies	By the Company	By controlled companies [(1)]	By the Company	By controlled companies
Homaira Akbari	50,769.2	0	48,117	0	26,609	0	16,923	0
Jacques Aschenbroich	58,800	0	54,740	0	52,430	0	56,490	0
Maryse Aulagnon	36,240	0	36,680	0	37,520	0	36,120	0
Daniel Bouton	109,200	0	109,200	0	109,200	0	109,200	0
Caisse des dépôts et consignations	30,720	0	26,880	0	26,880	0	29,400	0
Pierre-André de Chalendar [(2)]	N/A	N/A	N/A	N/A	11,200	0	22,960	0
Isabelle Courville [(3)]	36,430.8	0	33,991	0	19,520	0	13,560	0
Antoine Frérot [(4)]	0	0	0	0	0	0	0	0
Clara Gaymard	39,415.4	0	37,315	0	23,262	0	14,862	0
Groupama SA [(5) (7)]	N/A	N/A	N/A	N/A	5,227	0	13,627	0
Marion Guillou	50,400	0	49,840	0	48,160	0	46,620	0
Pavel Páša [(6)]	42,000	0	83,202 [(10)]	0	42,000	0	0 [(9)]	0
Baudouin Prot	30,720	0	31,360	0	31,360	0	32,760	0
Qatari Diar Real Estate Investment Company	22,080	0	20,160	0	26,880	0	26,880	0
Nathalie Rachou	37,440	0	41,370	0	42,000	0	42,000	0
Georges Ralli [(8)]	9,175.4	0	17,575	0	25,200	0	16,800	0
Paolo Scaroni	39,415.4	0	37,595	0	31,360	0	27,720	0
Louis Schweitzer	167,200	0	166,640	0	164,960	0	165,520	0
Guillaume Texier [(9)]	23,261.5	0	14,862	0	N/A	N/A	N/A	N/A
Pierre Victoria [(6)]	46,800	0	98,741 [(10)]	0	50,400	0	0 [(9)]	0
Paul-Louis Girardot, *non-voting member (censeur)*	31,500	7,650	28,280	0	24,080	10,262	25,200	10,262
Serge Michel, *Non-voting member (censeur)*	38,769.2	5,430	42,969	5,430	50,400	5,430	50,400	5,430
TOTAL	**900,336.9**	**13,080**	**979,517**	**5,430**	**848,648**	**15,692**	**747,042**	**15,692**

N/A: not applicable

(1) Amounts before withholding tax deducted at source.

(2) The term of office of Mr. Pierre-André de Chalendar expired on April 22, 2015.

(3) Mrs. Isabelle Courville was appointed as a director by the Combined General Meeting of April 21, 2016. Mrs. Isabelle Courville was appointed a non-voting member (censeur) by the Board of Directors' meeting of March 10, 2015, effective the same date for an initial term ending at the Combined General Meeting of April 21, 2016.

(4) The full compensation of Mr. Antoine Frérot is indicated in Section 7.4.1.1 below. At its meetings of March 8, 2015 and March 8, 2016, the Board of Directors took note of the renewal of Mr. Antoine Frérot's decision to waive his directors' fees for 2015 and 2016.

(5) Directors' fees are paid to Mr. Georges Ralli at the request of Groupama SA since May 16, 2012.

(6) Mr. Pavel Páša and Mr. Pierre Victoria were appointed as directors representing employees by the Group's France and European Works Councils, respectively, on October 15, 2014. They joined the Board of Directors at its meeting on November 5, 2014. At its meeting of March 10, 2015, the Board of Directors recorded Mr. Pierre Victoria's decision to transfer his directors' fees to his trade union and Mr. Pavel Páša's intention to transfer his directors' fees to an organization representing or assisting employees.

(7) The term of office of Mr. Georges Ralli expired on April 21, 2016.

(8) Mr. Guilaume Texier was appointed a director by the Combined General Meeting of April 21, 2016.

(9) Payments scheduled in 2016.

(10) Directors' fees paid in 2016 include, in addition to directors' fees for the fourth quarter of 2015 and the first, second and third quarters of 2016, directors' fees for the fourth quarter of 2014 and the first, second and third quarters of 2015, not paid in 2015.

Amount and allocation of directors' fees in 2017

At its meeting of March 7, 2017 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 20, 2017 to increase the total annual amount of directors' fees (i.e. €1,080,00). It was decided to increase from €33,600 to €40,000 the amount of directors' fees paid for the duties of director[1]. The Board of Directors also took note of the renewal of the decision by the Chairman and Chief Executive Officer to waive his directors' fees for 2017, and decided to continue allocating directors' fees in 2017 in the same way as in 2016, except for the above-mentioned change (see details in the second footnote to the above section "Amount and allocation of directors' fees in 2016").

7.4.1.3 Compensation of executives excluding the Chairman and Chief Executive Officer (Executive Committee members)

All members of the Executive Committee in office on December 31, 2016 (see Section 7.3.3 above), (excluding the Chairman and Chief Executive Officer) received total gross compensation of €7,539,774 in 2016 (for an Executive Committee comprising ten members excluding the Chairman and Chief Executive Officer), compared with €6,617,023 in 2015 (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, 2014, 2015 and 2016, 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 quantitative 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 (quantitative portion of 70% and qualitative portion of 30%) and the same quantitative and qualitative criteria applicable to the Chairman and Chief Executive Officer. Note, however, that a weighting of the attainment of region-specific indicators to Group indicators is applied for members of the Executive Committee who are regional Senior Executive Vice-Presidents.

The 2016 average variable compensation of Executive Committee members represents approximately 87% of their fixed compensation.

	Fiscal year 2014 (10 members)	
(in euros)	**Amounts payable for the fiscal year**	**Amounts paid during the fiscal year**
Fixed compensation	3,541,667	3,618,579
Annual variable compensation	3,088,738	1,683,852
Directors' fees		
• Paid by Veolia Environnement		
• Paid by controlled companies		
Benefits in kind (1)	8,578	8,578
TOTAL	**6,638,983**	**5,311,009**

(1) *These figures do not include any housing allowances or expatriation compensation paid.*

	Fiscal year 2015 (10 members)	
(in euros)	**Amounts payable for the fiscal year**	**Amounts paid during the fiscal year**
Fixed compensation	3,660,000	3,674,864
Annual variable compensation	3,685,766	2,929,159
Directors' fees		
• Paid by Veolia Environnement		
• Paid by controlled companies		
Benefits in kind (1)	13,000	13,000
TOTAL	**7,358,766**	**6,617,023**

(1) *These figures do not include any housing allowances or expatriation compensation paid.*

(1) *Comprising (a) a fixed amount of €16,000, divided into four quarterly payments of €4,000 per quarter, and (b) a potential variable amount of €24,000maximum, divided into four quarterly payments and adjusted based on the number of meetings held during each quarter of the relevant fiscal year and the number of meetings that the director attends.*

	Fiscal year 2016 (10 members)	
(in euros)	**Amounts payable for the fiscal year**	**Amounts paid during the fiscal year**
Fixed compensation	3,830.000	3,840,899
Annual variable compensation	3,685.766	3,685.766
Directors' fees		
• Paid by Veolia Environnement		
• Paid by controlled companies		
Benefits in kind [1]	13,109	13,109
TOTAL	7,528,875	7,539,774

(1) *These figures do not include any housing allowances or expatriation compensation paid.*

7.4.2 PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

There is no contract between the members of the Board of Directors and the Company or its subsidiaries that provides for the payment of benefits or compensation that is due, or may be due, in the event of members ceasing or changing their duties within the Company or its subsidiaries, other than the Chairman and Chief Executive Officer's termination compensation and the supplementary group pension plans described below.

7.4.2.1 Compensation in the event of termination of the office of Chairman and Chief Executive Officer

It is noted that, in accordance with the AFEP-MEDEF Code, the Board of Directors of the Company, at its meeting of December 17, 2009, recorded the termination, as of January 1, 2010, of Mr. Antoine Frérot's employment contract, which had been suspended on November 27, 2009 when he was appointed Chief Executive Officer of Veolia Environnement. The termination of Mr. Antoine Frérot's employment contract caused him to lose the right under the collective bargaining agreement to receive severance compensation related to his years of service within the Group (over 20 years as of that date).

The Board of Directors, following a proposal from the Nominations and Compensation Committee, and further to the approval of shareholders at the General Shareholders' Meeting of May 7, 2010 decided to award Mr. Antoine Frérot compensation in the event of the termination of his term of office as Chief Executive Officer, in accordance with the provisions of the "TEPA" Act (Article L. 225-42-1 of the French Commercial Code; law relating to employment, labor and purchasing power).

Within the framework of the renewal of Mr. Antoine Frérot's term of office at the April 24, 2014 General Shareholders' Meeting, the Board of Directors decided at its meeting of March 11, 2014, at the proposal of the Nominations and Compensation Committee, to renew this termination compensation under conditions similar to those previously granted and in accordance with the provisions of the AFEP-MEDEF Code, namely:

- payment of this compensation is limited only to "forced departure in connection with a change of control or strategy". It would not apply where (1) Mr. Antoine Frérot leaves the company on his own initiative 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 is limited to twice the yearly gross compensation (excluding directors' fees and benefits in kind) including the fixed portion of his compensation during the last year ("Fixed Portion") and the average of the variable portions ("Variable Portion") paid or payable for the last three fiscal years prior to termination of his position as Chief Executive Officer ("Reference Compensation");
- the calculation of this amount and of the fixed and variable portions of this compensation both depend on the attainment of performance conditions. This severance payment is equal to twice the sum of (1) the Variable Component of his Reference Compensation (average over the previous 3 fiscal years) and (2) the Fixed Component of his Reference Compensation (last fiscal year) corrected by a "Performance Rate" corresponding to the average percentage attainment of the target variable compensation bonus (also called "base bonus target" or 100% attainment of annual objectives) for the last 3 fiscal years ended before the termination of his duties. The methods for determining the variable portion of Mr. Antoine Frérot's compensation are detailed in Section 7.4.1.1 above.

The renewal of this compensation in the event of termination of Mr. Antoine Frérot's term of office was ratified by the Company's General Shareholders' Meeting on April 24, 2014.

7.4.2.2 Supplementary group pension plan

Supplementary defined benefit group pension plan in place until June 30, 2014

The defined benefit group pension plan open to all executives of category 8 and higher (and the Chairman and Chief Executive Officer) was modified, with effect from July 1, 2013, by the Board of Directors' meeting of March 14, 2013, upon a motion by the Chairman and Chief Executive Officer and after a favorable opinion by the Works Council and the Nominations and Compensation Committee. The pension plan was capped at 10% of the reference compensation, in turn capped at 8 times the annual social security ceiling.

In accordance with the provisions of Articles L. 225-38 and L. 225-40 of the French Commercial Code and on the basis of a special report prepared by the statutory auditors, the General Shareholders' Meeting of May 14, 2013 approved these changes to the extent that they concern the Chairman and Chief Executive Officer.

This plan was closed with a freeze on entitlements and closure of the plan to new members with effect from June 30, 2014.

The detailed features of this defined benefit group pension plan pursuant to Article L.225-102-1 of the French Commercial Code are presented in Section 7.4.5.1 below.

Supplementary defined contribution pension plan in place from July 1, 2014

After a favorable opinion of the Works Council and the Nominations and Compensation Committees, the Board of Directors, decided, at its meeting of March 11, 2014, upon a motion by the Chairman and Chief Executive Officer:

- to close the supplementary defined benefits group pension plan for executives of category 8 and higher (including the Chairman and Chief Executive Officer who does not hold an employment contract) with a freeze on entitlements and closure of the plan to new members, effective June 30, 2014;
- and to amend, effective July 1, 2014, the existing supplementary defined contribution group pension plan.

In accordance with the provisions of Articles L. 225-38 and L. 225-40 of the French Commercial Code and on the basis of a special report prepared by the statutory auditors, the General Shareholders' Meeting of April 24, 2014 approved these changes concerning the Chairman and Chief Executive Officer.

In accordance with the recommendations of the AFEP-MEDEF Code, the value of the benefits provided by the supplementary pension plan is taken into account when setting the Chairman and Chief Executive Officer's total compensation. Furthermore, the group of potential beneficiaries is not limited to the Chairman and Chief Executive Officer, but also includes category 8 and higher executives employed by the Company.

The reference period used to calculate benefits is the average compensation calculated over three years, excluding compensation paid at the time of employment termination or retirement, as well as any other type of extraordinary compensation.

Following the closure of the supplementary defined benefit group pension plan for executives of category 8 and higher with effect from June 30, 2014, any entitlement accumulated under this plan will be calculated according to its value as of June 30, 2014. Accordingly, the reference compensation corresponds to the average of the last three calendar years prior to the closure of the plan and the service history used for calculation purposes will be that as at June 30, 2014.

Provided that he is still present in the Company at the time of retirement in accordance with legal requirements, the theoretical annual amount of the lifetime annuity paid by the defined benefit pension plan to the Chairman and Chief Executive Officer, could represent 6% of his annual reference compensation. This reference compensation is capped at 8 times the annual social security ceiling.

This theoretical annual lifetime annuity would be reduced by the annuity amounts paid by the Group defined contribution pension plan to which the Chairman and Chief Executive Officer is entitled by virtue of his affiliation with the Group, calculated without payment of survivor benefits.

Therefore, the theoretical annuity, under the Group defined benefit pension plan will be eliminated if the entitlement accumulated under the defined contribution pension plan would result in a higher annuity based on the estimated capital at the retirement date. Assuming a retirement age of 62 and based on a total annual compensation level of between 1.5 and 2.3 million euros, the potential annuity of the Chairman and Chief Executive Officer under all pension plans (including the basic social security retirement plan, the complementary pension plans and the company's group supplementary pension plans) could represent a theoretical amount of approximately 7% to 9% of his annual compensation.

The detailed features of this defined benefit group pension plan pursuant to Article L.225-102-1 of the French Commercial Code are presented in Section 7.4.5.2 below.

7.4.3 EQUITY –BASED LONG TERM INCENTIVE PLANS

7.4.3.1 Share subscription and/or purchase options

7.4.3.1.1 Company's stock option and free share grant policy

Company policy for fiscal year 2016

The Board of Directors' meeting of March 8, 2016, at the recommendation of the Compensation Committee, set the Company's general policy with respect to incentive arrangements for executives and managers of the Group for 2016.

In this context, the Board of Directors decided, for fiscal year 2016, to favor the grant of performance shares (with a vesting period ending in 2019) to replace the Management Incentive Plan (MIP), which expires in April 2018. Accordingly, the Board of Directors asked the General Shareholders' Meeting of April 21, 2016 to approve, for a period of eighteen months, an authorization to grant free shares to all employees of the France scope (approximately 45,000 potential beneficiaries) and performance shares to a group of executives (approximately 600 beneficiaries) comprising the Chairman and Chief Executive Officer, members of the Company's Executive Committee as well as the top executives of the Group and high potential employees. This authorization was requested up to a maximum ceiling of 0.5% of the share capital on the day of the General Shareholders' Meeting of April 21, 2016, including a sub-ceiling of 0.2% for free shares and a sub-ceiling of 0.3% for performance shares. Within this second sub-ceiling, 0.03% of the share capital could be granted to the Chairman and Chief Executive Officer.

During its meeting of March 7, 2017, at the recommendation of the Chairman and Chief Executive Officer, the Board of Directors decided not to continue the implementation of these plans as a contribution to the additional cost savings plan approved by the Board of Directors' meeting of February 22, 2017.

Accordingly, no stock options, free shares or free shares subject to performance conditions (performance shares) were granted in 2016.

Company policy for fiscal year 2017

At this stage, no long-term compensation system is planned for 2017 to replace the performance share scheme envisaged in 2016. This issue will be re-examined in 2018, notably with a view to the expiry of the current Management Incentive Plan (MIP).

Overview of share subscription and/or purchase option plans as of December 31, 2016 (AFEP-MEDEF Code Table 8)

	Subscription options
	Plan no. 8
Meeting date	05/07/2010
Date of the General Shareholders' Meeting	09/28/2010
Total number of options initially granted	2,462,800
• Of which total number of options granted to corporate officers	0
Number of corporate officers initially concerned	0
Number of employees initially concerned	1,221
Exercise start date	09/29/2014
Expiry date	09/28/2018
Strike price *	€22.50
Number of options exercised as of December 31, 2016	0
Total number of shares that may be subscribed or purchased as of December 31, 2016 **	0***

* *Adjusted, where necessary, to take account of transactions impacting the Company's share capital.*

** *After application of legal adjustments and the plan performance conditions, after taking into account options exercised and any changes in the situation of beneficiaries since each plan was set up.*

*** *Except in the event of a public offer for the Company's shares, in which case the 2,127,400 stock options under Plan no. 8 would become exercisable.*

For information on the potential dilution resulting from share subscription options and free shares, please refer to Chapter 2, Section 2.1.5 above.

Overview of performance share grants as of December 31, 2016 (AFEP-MEDEF Code Table 9):

N/A (not applicable).

The Combined General Meeting of April 21, 2016, voted a resolution authorizing the grant of free shares, not subject to performance conditions, to all Group employees of the French scope and performance shares to a selection of Group executives including the Chairman and Chief Executive Officer. During its meeting of March 7, 2017, at the recommendation of the Chairman and Chief Executive Officer, the Board of Directors decided not to continue the implementation of these plans as a contribution to the additional cost savings plan approved by the Board of Directors' meeting of February 22, 2017.

7.4.3.1.2 Options and free shares granted to and exercised by executive corporate officers in 2016

Share subscription and/or purchase options granted during the fiscal year to executive corporate officers by Veolia Environnement and any other Group companies (AFEP-MEDEF Code Table 4)

Executive corporate officer	Plan number and date	Type of option	Number of options granted during the fiscal year	Valuation of the options	Strike price *(in euros)*	Exercise period
Mr. Antoine Frérot, Chairman and Chief Executive Officer	N/A	N/A	None	N/A	N/A	N/A

N/A: not applicable

Share subscription and/or purchase options exercised during the fiscal year by executive corporate officers (AFEP-MEDEF Code Table 5)

Executive corporate officer	Plan number and date	Number of options exercised during the fiscal year	Type of option	Strike price *(in euros)*
Mr. Antoine Frérot, Chairman and Chief Executive Officer	N/A	None	N/A	N/A

N/A: not applicable

Free performance shares granted during the fiscal year to executive corporate officers by Veolia Environnement and any other Group companies (AFEP-MEDEF Code Table 6)

Executive corporate officer	Plan number and date	Number of shares granted during the fiscal year	Valuation of the shares	Availability date	Performance conditions
Mr. Antoine Frérot, Chairman and Chief Executive Officer	N/A	None	N/A	N/A	N/A

N/A: not applicable

Performance shares that became available during the fiscal year to executive corporate officers (AFEP-MEDEF Code Table 7)

Executive corporate officer	Plan number and date	Number of shares that became available during the fiscal year	Vesting conditions
Mr. Antoine Frérot, Chairman and Chief Executive Officer	N/A	N/A	N/A

N/A: not applicable

Share subscription options held by Antoine Frérot, Chairman and Chief Executive Officer of the Company as of December 31, 2016

Mr. Antoine Frérot did not hold any share subscription options as of December 31, 2016.

Mr. Antoine Frérot has not received any free shares.

7.4.3.1.3 Options granted to the top ten employees other than corporate officers in fiscal year 2016 and options exercised by them during the fiscal year

Share subscription and/or purchase options granted to the top ten employee beneficiaries other than corporate officers and options exercised by them	Total number of options granted/shares subscribed or purchased	Average weighted price**	Plan number
Options granted during fiscal year 2016 by Veolia Environnement and any company within the scope of the option award, to the ten employees of Veolia Environnement and any other company included within this scope, having received the greatest number of shares	None	N/A	N/A
Options held in Veolia Environnement and the companies referred to above exercised during fiscal year 2016 by the ten employees of Veolia Environnement and the aforementioned companies, having exercised the greatest number of options *	None	N/A	N/A

N/A: not applicable

* *Excluding options exercised by employees who have left the Group.*

** *Strike price after legal adjustments.*

7.4.3.2 Management Incentive Plan (MIP)

In October 2014, the Group set up a long-term incentive mechanism, 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 results in a guarantee limited to 80% of the value of his/her investment (excluding any income or other taxes payable by the beneficiary), except for the Chairman and Chief Executive Officer and the members of the Executive Committee, whose investments are not guaranteed. The maximum amount of the investment is equal to three times the reference gross monthly salary determined by the Group, and may not be less than €5,000.

The share bonus, granted in three tranches, is linked to the attainment of the following criteria: an increase in the price of the share over the acquisition price at the time of the initial investment in October 2014, and net recurring income attributable to the Group per share. These criteria are assessed at three dates (March 2016, March 2017 and March 2018) corresponding to the publication of the Company's annual financial statements for 2015, 2016 and 2017. The gains are calculated at each of these dates, but definitively vest at the expiry of the plan on April 5, 2018, subject on that date to (i) confirmation that the beneficiaries in question satisfy the requirement of continued employment, and (ii) retention by the beneficiaries of the initial share investment.

The performance condition relating to the share bonus vesting in respect of fiscal year 2016 was fully attained and noted by the Compensation Committee on March 3, 2017 based on the accounts adopted by the Board of Directors on February 22, 2017.

As of the date of filing of this Registration Document, the share bonus for fiscal year 2016 had not yet been calculated, as this calculation can only be finalized 20 trading days after the publication of the accounts on February 23, 2017, the reference share price for the calculation of the share price increase being determined over the 20 trading days between February 24 and March 23, 2017. Subject to this, the share bonus vesting to Mr. Antoine Frérot in respect of 2016 is provisionally currently estimated at approximately 18,000 shares (representing approximately 30% of his annual fixed compensation). These shares will become available on expiry of the plan, i.e. on April 5, 2018.

As of December 31, 2016, 410,858 shares were invested in this plan, including 100,308 shares acquired by members of the Executive Committee at the subscription date.

Pursuant to Article L. 621-18-2 of the French Monetary and Financial Code, the shares purchased by the members of the Executive Committee (including the Chairman and Chief Executive Officer) were declared to the French Financial Markets Authority (AMF).

7.4.4 SUMMARY OF COMPENSATION PAID OR PAYABLE IN RESPECT OF FISCAL YEAR 2016 TO MR. ANTOINE FRÉROT, CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND THE 2017 COMPENSATION POLICY PRESENTED FOR SHAREHOLDERS' VOTE AT THE COMBINED GENERAL MEETING OF APRIL 20, 2017

In the tenth resolution presented to the Combined General Meeting of April 20, 2017, shareholders are asked to approve (binding vote) 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 in respect of his duties to Mr. Antoine Frérot, Chairman and Chief Executive Officer in respect of fiscal year 2017.

In addition to the fixed and variable compensation payable in respect of 2017, it is recalled that Mr. Antoine Frérot is entitled to a company car, severance payments, a supplementary defined contribution pension plan, collective healthcare and insurance plans and the Management Incentive Plan, as detailed in the 2016 compensation components. He does not receive directors' fees, multi-year cash compensation, compensation under a non-compete clause or have an employment contract within the Group.

*Tenth resolution**: Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of total compensation and benefits of all kind that may be awarded to the Chairman and Chief Executive Officer in respect of fiscal year 2017:***

The General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Meetings and having considered the report of the Board of Directors and the detailed report on compensation components, and 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 kinds that may be awarded, in respect of his duties, to the Chairman and Chief Executive Officer in respect of fiscal year 2017, as presented in the detailed report on compensation components set forth in Chapter 7, Section 7.4 of the 2016 Registration Document and repeated in the report of the Board of Directors.

2017 compensation policy	Amount	Comments
2017 fixed compensation	€950,000	Upon the recommendations of the Compensation Committee, the Board of Directors decided to set the frequency of review of the fixed compensation of the Chairman and Chief Executive Officer at every three years with effect from January 1, 2016, in the absence of any major events. Accordingly, it retains unchanged for fiscal year 2017, the 2016 gross fixed compensation decided by the Board of Directors' meeting of March 8, 2016.
2017 variable compensation		The Board of Directors' meeting of March 7, 2017, upon the recommendation of the Compensation Committee, decided to review the method of calculating the variable compensation of the Chairman and Chief Executive Officer as follows: • respective weight of the quantitative portion (70 %) and of the qualitative portion (30% remains unchanged); • 2017 target variable compensation (in the event of attainment of the objectives set by the Board of Directors) set at 100% of the annual fixed compensation ("Target bonus base"); • variable compensation capped (in the event objectives are exceeded) at 160% of annual fixed compensation for 2017, or €1,520,000. **i) with respect to the quantitative criteria**: the criteria for the quantitative portion of the variable compensation are unchanged compared to 2016 and are therefore allocated as follows, it being noted that the quantitative 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; - 20% based on net free cash flow before financial investments, financial divestments and dividends; - 30% based on organic growth in Group revenue (at constant exchange rates and excluding acquisitions and divestitures of more than €100 million but including acquisitions of privatized public services); - 30% based on Group ROCE (after tax). The quantitative variable compensation portion will be determined based on the attainment of the 2017 budget objectives which are consistent with the outlook announced to the market on February 23, 2017 **ii) with respect to the qualitative criteria:** the determination of the qualitative portion (30% of the Target bonus base) is determined based on an overall assessment of the following criteria, unchanged compared to 2016: - health and safety at work (rate of workplace accidents with sick leave); - environmental performance; - managerial performance; - strategic aspects. The 2017 qualitative portion of variable compensation will be assessed as a whole by the Board of Directors based on recommendations issued by the Compensation Committee.

In the eleventh resolution presented to the Combined General Meeting of April 20, 2017, shareholders are asked to issue a favorable opinion (advisory vote) on the following compensation components paid or payable in respect of fiscal year 2016 to Mr. Antoine Frérot, Chairman and Chief Executive Officer:

Compensation components	Amount	Comment
Fixed compensation	€950,000	In accordance with the recommendations of the Compensation Committee, the Board of Directors' meeting of March 8, 2016 decided to set the frequency of review of fixed compensation at every three years with effect from January 1, 2016, in the absence of any major events. Accordingly and upon recommendation of the Compensation Committee, the gross fixed compensation for fiscal year 2016 has been maintained at the same level.
Variable compensation	€953,553	At its meeting of March 7, 2017, the Board of Directors, upon the recommendation of the Compensation Committee, set and approved the total amount of Mr. Antoine Frérot's variable compensation (quantitative and qualitative portions) in respect of fiscal year 2016 at €953,553. The Board of Directors' meeting of March 8, 2016, upon at the recommendation of the Compensation Committee, decided to review the method of calculating variable compensation as follows: • respective weight of the quantitative portion (70%) and of the qualitative portion (30% remains unchanged) ; • reduction in the 2016 target variable compensation (in the event of attainment of the objectives set by the Board of Directors) from 125% to 100% of the fixed annual compensation ("Base bonus target"); • cap on the variable compensation (in the event the objectives are exceeded) of 140% of annual fixed compensation for 2016, i.e. €1,330,000. **Using this method and based on the attainment of the criteria determining the amount of the variable compensation component for 2016, the variable compensation was determined as follows:** **i) with respect to the quantitative criteria**: the quantitative variable compensation portion was determined based on the attainment of the 2016 budget objectives which were consistent with the outlook announced to the market on February 25, 2016. This quantitative portion is equal to the sum of the attainment rates for the following four criteria taken separately: • 20% based on Group current EBIT, with a payment rate of 106.9%; • 20% based on Group net free cash flow before financial investments, financial divestments and dividends, with a payment rate of 140%; • 30% based on organic growth in Group revenue (at constant exchange rates and excluding acquisitions or divestitures of more than €100 million but including acquisitions of privatized public services), with a payment rate of 0%; • 30% based on Group ROCE (after tax), with a payment rate of 113.3%; **ii) with respect to the qualitative criteria:** the Board of Directors' meeting of March 7, 2017 decided to allocate €399,000 to Mr. Antoine Frérot in respect of the qualitative variable portion of his 2016 compensation, with 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 (rate of workplace accidents with sick leave), environmental performance, management performance and strategic aspects. **Mr. Antoine Frérot's variable compensation (quantitative and qualitative) for fiscal year 2016 is therefore €953,553 or 100.3% of his Base bonus target for fiscal year 2016.**
Multi-year variable compensation	No payment	Mr. Antoine Frérot did not receive any multi-year variable compensation in 2016.
Exceptional compensation	N/A	Mr. Antoine Frérot does not receive any exceptional compensation.

Compensation components	Amount	Comment
Launch of a long-term incentive compensation plan known as the Management Incentive Plan (MIP)	No payment	In view of the closure of the defined benefit pension plan of which the Chairman and Chief Executive Officer was a member until June 30, 2014, the Board of Directors decided and authorized on August 27, 2014, the launch of a long-term incentive compensation plan, named as the Management Incentive Plan (MIP) with the following main characteristics: • beneficiaries: restricted category of employees of around 300 executives, including the Chairman and Chief Executive Officer, Mr. Antoine Frérot ; • personal investment via the acquisition of Veolia Environnement shares (at market prices) for an amount ranging between €5,000 (minimum) and three months of gross compensation (maximum). This investment confers entitlement, subject to continued employment and financial performance (Company's performance and share price) criteria, to the allocation of additional shares at the expiry of the Plan, namely in April 2018. This share bonus is funded by the Company via the allocation of treasury shares (no dilution). It is to be allocated in three tranches based on the financial performance reported in fiscal years 2015, 2016, 2017, on the release of the annual financial statements, and vests only when the plan expires in April 2018, subject to confirmation of the continued employment of the relevant beneficiary and of such beneficiary having retained all the initially invested shares. For each of the three tranches, this bonus is calculated by multiplying five times the rise in the Veolia Environnement share compared with the initial acquisition price, weighted by the percentage attainment of the objectives set for the improvement in the Group's results (indicator selected: Net adjusted income per share attributable to owners of the Company); • the 80% protection of the investment granted to Plan beneficiaries does not apply to either Mr. Antoine Frérot or the members of the Executive Committee. Pursuant to the procedure governing regulated agreements and commitments, this commitment was authorized by the Board of Directors' meeting of August 27, 2014 and approved by the General Shareholders' Meeting of April 22, 2015 (6th resolution). Under this plan, Mr. Antoine Frérot acquired 24,403 Company shares at their market price of €13.04 per share on October 22, 2014. The share bonus vesting to Mr. Antoine Frérot in respect of 2016 is provisionally estimated (calculation to be finalized on March 24, 2017) at approximately 18,000 shares (representing approximately 30% of his annual fixed compensation). These shares will become available on expiry of the plan on April 5, 2018.
Directors' fees	N/A	Mr. Antoine Frérot has waived his right to receive Directors' fees as Chairman of the Board of Directors of Veolia Environnement and in respect of the offices he holds in Group companies.
Grant of stock-options and/or performance shares	No grant	Since his appointment as Chief Executive Officer of the Company (November 27, 2009), Mr. Antoine Frérot has not been allocated any stock options and/or performance shares. The Combined General Meeting of April 21, 2016, voted a resolution authorizing the grant of free shares, not subject to performance conditions, to all Group employees of the French scope and performance shares to a selection of Group executives including the Chairman and Chief Executive Officer. During its meeting of March 7, 2017, upon the recommendation of the Chairman and Chief Executive Officer, the Board of Directors decided not to continue the implementation of these plans as a contribution to the additional cost savings plan approved by the Board of Directors' meeting of February 22, 2017.
Severance payment	No payment	Mr. Antoine Frérot is entitled to a severance payment in the case of termination of his mandate t as Chief Executive Officer only 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 his total gross annual compensation (excluding Directors' fees and benefits in kind) including the sum of the fixed portion of his compensation for the previous fiscal year ("Fixed Portion") and the average of the variable portion ("Variable Portion") paid or payable in respect of the last 3 fiscal years ending before the termination of his duties as Chief Executive Officer ("Reference Compensation"). The amount of this severance payment and its fixed and variable portions depends in both cases on the extent to which performance conditions have been attained. The calculation of the severance payment is equal to twice the sum of (1) the Variable Portion of his Reference Compensation (average over the previous three fiscal years) and (2) the Fixed Portion of his Reference Compensation (last fiscal year) corrected by a "Performance Rate" corresponding to the average percentage attainment of the target bonus (also called "Bonus Base" or 100% attainment of annual objectives) for the last three fiscal years ending before the termination of his duties. 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). Pursuant to the procedure governing regulated agreements and commitments, this commitment was authorized by the Board of Directors' meeting of March 11, 2014 and approved by the General Shareholders' Meeting of April 24, 2014 (8th resolution).

Compensation components	Amount	Comment

Supplementary pension plan	No payment	After a favorable opinion of the Works Council and upon the recommendation of the Nominations and Compensation Committee[(1)], 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) with a freeze on entitlements and closure of the plan to new members, effective June 30, 2014;
		• to revise, effective July 1, 2014, the existing supplementary defined contribution pension plan with the following main features:
		  • this plan is open to all executives of category 8 and higher (including the Chairman and Chief Executive Officer);
		  • its funding is ensured by contributions to the plan equal to a percentage of the compensation of the relevant employees;
		  • contribution payments break down as follows: 2.25% employer contribution for tranches A, B et C;1.25% employee contribution for tranches A, B and C; 4.50% employer contribution above tranche C; 2.50% employee contribution above tranche C;
		  • 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.
		Pursuant to the procedure governing regulated agreements and commitments, these amendments to the supplementary defined contribution pension plan to the extent they concern the Chairman and Chief Executive Officer were authorized by the Board of Directors' meeting of March 11, 2014 and approved by the General Shareholders' Meeting of April 24, 2014 (7th resolution) based on the special report drawn up by the statutory auditors. Provided that he is still present in the Company at the time of retirement in accordance with legal requirements, the amount of the lifetime annuity paid by the defined benefit pension plan will depend on Mr. Antoine Frérot's retirement age, the amount of contributions paid, and possible optional individual payments under the supplementary defined contribution pension plan. Note that this theoretical annuity will be eliminated if the entitlement accumulated under the defined contribution pension plan would result in a higher annuity. Assuming a retirement age of 62 and based on a total annual compensation level of between 1.5 and 2.3 million euros, the potential annuity of the Chairman and Chief Executive Officer under all pension plans (including the basic social security retirement plan, the complementary pension plans and the company's group supplementary pension plans) could represent a theoretical amount of approximately 7% to 9% of his annual compensation.

Collective healthcare and insurance plans		Mr. Antoine Frérot benefits from the collective healthcare and insurance plan in force within the Company under the same conditions as those applicable for the category of employees with which he is assimilated for the setting of social benefits and other ancillary components of his compensation. Pursuant to the procedure governing regulated agreements and commitments, this commitment was authorized by the Board of Directors' meeting of March 11, 2014 and approved by the General Shareholders' Meeting of April 24, 2014 (7th resolution).
Benefits in kind	€1,999	Mr. Antoine Frérot enjoys the use of a company car.

(1) *This Committee was split into two separate committees following a decision of the Board of Directors on March 25, 2014.*
N/A: Not Applicable.

7.4.5 DETAILED FEATURES OF PENSION PLANS

7.4.5.1 Defined benefit pension plan

Pursuant to Article L.225-102-1 of the French Commercial Code, the main features of this plan were as follows:

1. Title of the commitment: defined benefit pension plan.
2. Legal provisions enabling the identification of the corresponding plan category: Article 39 of the French General Tax Code; Article L.137-11 of the French Social Security Code.
3. Conditions to benefit from the plan and other eligibility conditions:
   - at least five years' service;
   - completion of the beneficiary's career in the Company;
   - presence in the Company workforce at the time of voluntary or involuntary retirement;
   - settlement of the general plan at the full rate (including mandatory basic pensions or supplementary pensions).
4. Method for determining the reference compensation under the relevant plan, used to calculate the entitlement of beneficiaries: the reference compensation used to determine the amount of the pension was the average of the last three years' full compensation subject to a maximum of 8 times the annual social security ceiling (€308,928 in 2016);
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. €30,893 in 2016)
7. Funding terms and conditions: by the Company through insurance contracts subscribed with two external insurance companies.
8. Estimated amount of the lifetime annuity at the period end: following the closure of the supplementary defined benefit group pension plan for executives of category 8 and higher with effect from June 30, 2014, any entitlement accumulated under this plan will be calculated according to its value as of June 30, 2014. Accordingly, the reference compensation corresponds to the average of the last three calendar years prior to the closure of the plan and the service history used for calculation purposes will be that as at June 30, 2014.
   Provided that he is still present in the Company at the time of retirement in accordance with legal requirements, the theoretical annual amount of the lifetime annuity paid by the defined benefit pension plan to the Chairman and Chief Executive Officer, could represent 6% of his annual reference compensation. This reference compensation is capped at 8 times the annual social security ceiling.
   At the end of 2016, 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 €15,000, at the age of 62, the estimated amount of Mr. Antoine Frérot's defined benefit annual annuity would be reduced to approximately €4,000.
9. Related tax and social security contributions borne by the Company:
   - premiums payable to external insurance companies are deductible for income tax purposes.
   - with respect to the special contribution introduced by the Fillon law and applicable to variable entitlement defined benefit pension plans, Veolia Environnement has elected to apply the tax rate of 32% on annuities to annuities settled after January 1, 2013 (and the tax rate of 16% to annuities settled before December 31, 2012).

7.4.5.2 Supplementary defined contribution pension plan

Pursuant to Article L.225-102-1 of the French Commercial Code, the main features of this plan are as follows:

1. Title of the commitment: defined contribution pension plan.
2. Legal provisions enabling the identification of the corresponding plan category: Article 83 of the French General Tax Code.
3. Conditions to benefit from the plan and other eligibility conditions: the beneficiary category consists of executives of the Company within the meaning of Article 4 of the national collective agreement of AGIRC (the supplementary pension fund for executives), whose compensation is greater than or equal to three times the annual social security ceiling (€115,848 in 2016). 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 et C;1.25% employee contribution for tranches A, B and C; 4.50% employer contribution above tranche C; 2.50% employee contribution above tranche C;
   - 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 2016, 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 €15,000.
9. Related tax and social security contributions borne by the Company:
   - employer social security contributions are deductible for income tax purposes, liable to a 20% flat-rate social contribution and excluded from the tax base for social security contributions up to the higher of the following two amounts: 5% of the annual social security ceiling and 5% of the compensation adopted capped at five times the annual social security ceiling.

7.5 Corporate officer and executive share ownership

Pursuant to Article L. 621-18-2 of the French Monetary and Financial Code and Article 223-22 of the AMF General Regulations, members of the Board of Directors and the Company's executives, or any person with close links to them, are required to notify the AMF of any acquisitions, sales, subscriptions or exchanges of Company securities or financial instruments, within three business days of completing the transaction.

In addition, directors and executives are also subject to French regulations on breach of duty and insider trading, which penalize the use or disclosure of inside information.

Finally, directors and executives are required to comply with the Company's Code of Conduct (hereinafter the "Code") governing trading in its securities (see Chapter 5, Section 5.2.2.2.6 and Chapter 7, Section 7.2.1.7 above). This Code was updated for the provisions of Regulation (EU) no. 596/2014 of April 16, 2014 on market abuse and the positions-recommendations issued by the AMF and set out in its guidance on permanent reporting and the management of inside information and its guidance on periodic reporting. Under the provisions of this Code, the Company considers members of the Board of Directors and Executive Committee to be permanent insiders, who can only purchase or sell Company securities, directly or through an intermediary, under certain conditions and during specific, time-limited periods, in particular after the publication of the Company's annual and interim results.

7.5.1 DIRECTOR AND NON-VOTING MEMBER SHARE OWNERSHIP AND TRANSACTIONS IN VEOLIA ENVIRONNEMENT SHARES

To the best of the Company's knowledge, on December 31, 2016, members of the Board of Directors, including non-voting members (*censeurs*), held a total of 26,110,431 Veolia Environnement shares, representing 4.6% of the Company's capital as of that date. The table below sets out the number of Veolia Environnement shares held individually by each of the Company's directors and non-voting members (*censeurs*):

	Number of shares held as of 12/31/2016	Number of shares held as of 12/31/2015
Antoine Frérot	36,450	36,450
Louis Schweitzer	16,132	16,132
Homaira Akbari	3,000	3,000
Jacques Aschenbroich	2,176	2,176
Maryse Aulagnon	1,000	1,000
Daniel Bouton	3,065	3,065
Caisse des dépôts et consignations, represented by Olivier Mareuse	26,036,119	48,570,712
Isabelle Courville(1)	1,000	1,000
Clara Gaymard	750	750
Marion Guillou	750	750
Pavel Pása, *director representing employees*	0	0
Baudouin Prot	1,687	1,687
Qatari Diar Real Estate Investment Company, represented by Khaled Al Sayed	750	750
Nathalie Rachou	822	822
Georges Ralli(2)	N/A	1,049
Paolo Scaroni	916	916
Guillaume Texier(3)	750	N/A
Pierre Victoria, *director representing employees*	762	762
Paul-Louis Girardot, *non-voting member (censeur)*	1,208	1,208
Serge Michel, *non-voting member (censeur)*	3,094	3,094
TOTAL	**26,110,431**	**48,645,323**

N/A: not applicable

(1) Mrs. Isabelle Courville, a non-voting member (censeur) from March 10, 2015 to April 21, 2016, was appointed a director by the Combined Shareholders' Meeting of April 21, 2016.

(2) Mr. Georges Ralli informed the Board prior to the Combined Shareholders' Meeting of April 21, 2016 that he did not seek the renewal of his term of office.

(3) Mr. Guilaume Texier was appointed a director by the Combined Shareholders' Meeting of April 21, 2016.

The table below details transactions in Veolia Environnement securities during fiscal year 2016 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 2016:

Director	Financial instrument	Type of transaction	Transaction date	Unit price *(in euros)*	Total transaction amount *(in euros)*
Caisse des dépôts et consignations	Shares	Sale	09/23/2016	20.23	455,874,816.39

7.5.2 TRANSACTIONS IN VEOLIA ENVIRONNEMENT SHARES BY EXECUTIVES

To the best of the Company's knowledge, no purchases or sales of Veolia Environnement securities were reported by Executive Committee members (see Section 7.3 above) or any person with close personal links to them during fiscal year 2016.

7.6 Statutory auditors' special report on regulated agreements and commitments

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

General Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2016

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on the regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments and agreements are in the company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de Commerce*), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Our role is also to communicate the information provided for in Article R. 225-31 of the French Commercial Code in respect of the performance of agreements and commitments already approved by General Shareholders' Meetings and having continuing effect during the year, if any.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These guidelines require that we verify the consistency of the information provided to us with the relevant source documents.

1. AGREEMENTS AND COMMITMENTS PRESENTED TO THE GENERAL SHAREHOLDERS' MEETING FOR APPROVAL

1.1. Agreements and commitments authorized during the fiscal year

In accordance with Article L.225-40 of the French Commercial Code, we have been informed of the following agreements and commitments that were authorized by the Board of Directors.

1.1.1. 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 on a 50/50 basis by Veolia Environnement and Caisse des dépôts et Consignations;
- Caisse des dépôts et consignations, legal entity director with a 4.62% shareholding in Veolia Environnement, represented by Mr. Olivier Mareuse.

During its meeting of July 29, 2016, the Board of Directors authorized the signature between Veolia Environnement 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. These agreements were signed on December 21, 2016.

Terms and conditions and reasons justifying the agreement:

- Share sale agreement between Veolia Environnement (VE) and Caisse des dépôts et consignations (CDC): in accordance with its desire to withdraw from the Transport business, Veolia Environnement undertook to sell its entire investment in Transdev Group (50%) for a total consideration of €550 million, revised where appropriate in accordance with the adjustment mechanisms set out in the agreements. An initial sale was completed on December 21, 2016 for a consideration of €220 million. Under the terms of this agreement, the sale of Veolia's residual investment must be completed within a maximum of two years, through cross put and call options, with the Company undertaking to seek out a third-party buyer during this period. The strike price of these options was set at €330 million. Furthermore, in accordance with a condition precedent, VE also acquired the entire share capital held by Transdev Group in SNCM, in liquidation proceedings, for a symbolic consideration of four euros on December 21, 2016. In addition to 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, your Company granted a compensation commitment valid until December 31, 2019, covering CDC against any loss suffered directly or indirectly through Transdev, relating to SNCM. Your Company has also undertaken in the event of the sale of the residual 30% stake to a third party, to grant this party at its request, a compensation commitment covering any assistance to be repaid to the Greater Paris regional council.

- Revised shareholders' agreement between Veolia Environnement and Caisse des dépôts et consignations, signed in the presence of Transdev Group: following the sale by VE of 20% of Transdev Group, the parties agreed an amended shareholders' agreement setting out (i) governance principles adapted to the new share capital allocation and (ii) the conditions for transferring Transdev Group shares.
- Settlement protocol between Veolia Environnement and Transdev Group, signed in the presence of Caisse des dépôts et consignations: the parties agreed to end their dispute concerning the performance of a certain number of inter-company agreements detailed in the shareholders' agreement of March 3, 2011, in return for the payment by Transdev Group to Veolia Group of a total fixed amount of €14,859,798. This protocol also provides for the unwinding of reciprocal investments held in Veolia Environnement and Transdev Group joint subsidiaries.
- As of December 31, 2016, the guarantee agreements between VE, CDC and Transdev Group and the counter-guarantee protocol between VE and CDC resulting from the merger agreement of May 4, 2010 (as amended on March 3, 2011) and not expired or lapsed at that date, continue in effect in accordance with their terms and conditions (including those relating to SNCM referred to above).

2. AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY GENERAL SHAREHOLDERS' MEETINGS

2.1. Agreements and commitments approved during previous fiscal years

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed of the following agreements and commitments, previously approved by shareholders in prior years and having continuing effect during the year.

2.1.1. Agreements concerning the remuneration of guarantees issued by your Company on behalf of its subsidiaries

Board of Directors' meeting of May 17, 2011

Agreements signed between your Company and its subsidiary Veolia Eau-Compagnie Générale des Eaux (99.99% shareholding)

Persons concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer – Managing Director of Veolia Eau-Compagnie Générale des Eaux.

The parties agreed on the need to ensure that Veolia Environnement is fairly remunerated for services rendered to Veolia Eau-Compagnie Générale des Eaux subsidiaries through the issue of endorsements and guarantees of any nature, granted to any third party.

The remuneration payable depends on the country in which the guarantee operates, the nature and the term of the guarantee issued as well as the amount of the commitment given.

These contracts were entered into for an indefinite term.

On this basis and for fiscal year 2016, your Company recorded income of €1,304,235 in respect of commitments issued on behalf of Veolia Eau-Compagnie Générale des Eaux subsidiaries.

2.1.2. Agreement relating to Veolia Environnement's new administrative headquarters in Aubervilliers

Board of Directors' meeting of October 22, 2012

Agreement entered into with Icade SA, a subsidiary of Caisse des dépôts et consignations, the latter being a legal entity director of both Icade and of Veolia Environnement.

Person concerned:

- Caisse des dépôts et consignations, legal entity director with a 4.62% shareholding in Veolia Environnement, represented by Mr. Olivier Mareuse.

In the context of the relocation to Veolia Environnement's new administrative headquarters in Aubervilliers, it is recalled that following negotiations relating to the signature of a protocol on October 31, 2012, two concurrent acts were signed on January 31, 2013 setting out (i) the compensation terms for Icade in the event Veolia Environnement withdraws from this project and (ii) the terms of a 9-year firm lease for off-plan property (BEFA) subject to receipt of building authorization. Following the receipt of building authorization and the delivery of the building on July 18, 2016, this lease took effect at this date and the deed defining the compensation terms for Icade in the event Veolia Environnement withdrew from this project became null and void.

Under the terms of this 9-year lease, Veolia may terminate the lease at the end of the second three-year period subject to compensation conditions. The annual rent for the building is €16,542,774, excluding taxes and duties and VAT.

The Company recorded a rental expense payable to the lessor of €7,507,182 in respect of fiscal year 2016.

2.1.3. Service agreements with Soficot

Board of Directors' meeting of March 11, 2014

Agreement entered into with Soficot SAS, represented by its Chairman Mr. Serge Michel.

Person concerned:

- Mr. Serge Michel, whose term of office as director expired at the end of the General Shareholders' Meeting of April 21, 2016.

Your Board of Directors authorized the signature of a three-year agreement commencing January 1, 2014 between your Company and Soficot under the terms of which the latter undertakes to assist your Company in defining and establishing a corporate strategy particularly in terms of development and/or divestment activities in European Union countries. This assignment includes:

- assisting in the selection of opportunities or targets;
- building relationships with potential decision-makers, players or partners who are able to help or participate in the development or the implementation of your corporate strategy;
- advising your Company in the context of its restructuring operations or the turnaround of activities in difficulty particularly by drawing up proposals for reorganization measures and actions plans;
- assisting your Company in its procedures and negotiations with stakeholders and particularly its partners or customers (public or private).

This agreement provides for payment to Soficot of fixed remuneration of €600,000 per annum, adjusted in line with the SYNTEC index, and with no "success fees".

Remuneration of €651,436 was paid in respect of this agreement for fiscal year 2016.

The agreement expired on December 31, 2016.

2.1.4. Retention of additional healthcare and insurance coverage for the Chairman and Chief Executive Officer

Board of Directors' meeting of March 11, 2014

Person concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer

In the context of the termination of the employment contract of the Chairman and Chief Executive Officer effective as of January 1, 2010, the Board of Directors' meeting of December 17, 2009 authorized the Chairman and Chief Executive Officer to continue to benefit from the additional healthcare and insurance coverage enjoyed by all company employees after the date of termination of his employment contract. The Board of Directors' meeting of March 11, 2014 renewed this authorization.

The cost of retaining the benefits of this plan for the Chairman and Chief Executive Officer was €11,931 for fiscal year 2016.

2.1.5. Supplementary defined contribution pension plan benefiting the Chairman and Chief Executive Officer

Board of Directors' meeting of March 11, 2014

Person concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer

Your Company amended with effect from 1, 2014, the supplementary defined contribution pension plan with the following main features:

- category of beneficiaries: executives within the meaning of Article 4 of the national collective agreement of AGIRC (the supplementary pension fund for executives), whose compensation is greater than or equal to three times the annual social security ceiling. Compensation includes all components subject to social security contributions (fixed salary, variable salary, bonuses, benefits in kind). In particular, this plan is open to management employees of category 8 and higher (including the Chairman and Chief Executive Officer);
- funding of the plan: contributions to the plan are equal to a percentage of the compensation of the relevant employees;
- contribution payments break down as follows: 2.25% employer contribution for tranches A, B et C;1.25% employee contribution for tranches A, B and C; 4.50% employer contribution above tranche C; 2.50% employee contribution above tranche C;
- pension amount: the amount of the supplementary pension is not defined in advance. For each employee, it is calculated on the settlement date for all mandatory and optional pensions based on the reserves held by the insurance company and other parameters assessed on that date;
- optional individual payments: these may be made within the limits of the available tax and social security budget.

Employer contributions benefiting the Chairman and Chief Executive Officer totaled €96,808 for fiscal year 2016.

2.2. Agreements and commitments approved during the fiscal year

We have also been informed of the following agreements and commitments, previously approved by the General Shareholders' Meeting of April 21, 2016 based on the Statutory Auditors' special report of March 15, 2016 and having continuing effect during the year.

2.2.1. Brand license

Board of Directors' meetings of November 5, 2014 and February 24, 2016

Agreement signed between your Company and its subsidiary Veolia Eau-Compagnie Générale des Eaux (99.99% shareholding)

Persons concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer – Managing Director of Veolia Eau-Compagnie Générale des Eaux

Context and reasons justifying the agreement: your group has launched a transformation plan to simplify, structure and integrate its organizational set-up by country. This integration is reflected in particular by the use of a single "Veolia" brand (and a single logo) for the whole group to ensure better convergence and readability of the customer offers and to ensure their cross-cutting nature.

Terms and conditions: to take account of this new organizational set-up and the roll-out of the single "Veolia" brand, your Board of Directors authorized the signature, with the "head" entities designated by country or geographic zone and with Veolia Eau-Compagnie Générale des Eaux in particular (it is their responsibility to decline these contracts locally), of a new usage license for the "Veolia" brands in accordance with the following key conditions:

- one-year term automatically renewable for one or several annual periods with retroactive effect as of January 1, 2014;
- royalty fee set at 0.3% of the revenue of each of the license holders (or sub-license holders).

The Board of Directors' meeting of February 24, 2016, duly noted and authorized as necessary the tacit renewal of this agreement for the period January 1 to December 31, 2015, as well as the amendment of the term of this agreement from one year to indefinite with effect from January 1, 2016.

The Company recorded royalty fee income of €9,000,000 from Veolia Eau-Compagnie Générale des Eaux for fiscal year 2016.

The Statutory Auditors

French original signed by
Paris-La Défense, March 15, 2017

KPMG Audit A Division of KPMG S.A.		**ERNST & YOUNG et Autres**	
Jean-Paul Vellutini	Karine Dupré	Gilles Puissochet	Xavier Senent

Note : The Statutory Auditors' special reports on regulated agreements and commitments for fiscal years 2014 and 2015 are presented in the Appendices to the Veolia Environnement 2014 and 2015 Registration Documents, respectively.

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 de La Boétie, 75008 Paris, France.

The Company's administrative headquarters is located at 30, rue Madeleine Vionnet, 93300 Aubervilliers. The telephone number is +33 (0)1 85 57 70 00.

8.1.2 LEGAL FORM AND APPLICABLE LAW

Veolia Environnement is a French *société anonyme à conseil d'administration* (public limited company with a Board of Directors) governed by French law and particularly the provisions of Book II of the French Commercial Code.

8.1.3 DATE OF INCORPORATION AND TERM

The Company was incorporated on November 24, 1995, for a term of 99 years beginning on the date of its registration in the Trade and Companies Register, *i.e.* for a term lasting until December 18, 2094.

8.1.4 TRADE AND COMPANIES REGISTRY

The Company is registered in the Paris Trade and Companies Register under number 403 210 032. The Company's APE code is 7010 Z.

8.1.5 CORPORATE PURPOSE

Pursuant to Article 3 of the Company's Articles of Association, Veolia Environnement's corporate purpose, directly and indirectly, in France and in all other countries, involves:

- conducting all service activities, for private, professional and public customers, that are related to the environment, in particular, water, wastewater, energy, transportation and waste management;
- the acquisition, use and exploitation of all patents, licenses, trademarks and models that are directly or indirectly related to corporate activities;
- the acquisition of all equity investments, in the form of subscriptions, purchases, contributions, exchanges or by any other means, and the acquisition of shares, bonds and all other securities in existing or future enterprises, groupings or companies, and the option of disposing of such interests;
- in general, all commercial, industrial, financial or non-trading transactions, whether in personal or real property, that are directly or indirectly related to the aforementioned corporate purpose, and, in particular, the issue of all guarantees, first-demand guarantees, sureties and other security interests, in particular for the benefit of all groupings, enterprises or companies in which the Company holds an equity investment within the scope of its business activities, as well as the financing or refinancing of its business activities.

8.1.6 FISCAL YEAR

The Company's fiscal year starts on January 1 and ends on December 31 of each calendar year.

8.1.7 APPROPRIATION OF NET INCOME UNDER THE ARTICLES OF ASSOCIATION

Each share grants entitlement to an amount of the profit in proportion to the percentage of the capital that such share represents.

The distributable earnings are made up of the net income for the fiscal year, minus any accumulated losses and the various deductions provided for by law, plus any retained earnings.

The General Shareholders' Meeting may decide to distribute amounts drawn from the reserves of which it may freely dispose, by expressly stating the reserve items from which the amounts are drawn.

After approving the financial statements and recording the existence of amounts that are eligible for distribution (including the distributable earnings and, if any, the amounts drawn from reserves referred to above), the General Shareholders' Meeting may decide to distribute all or part of such amounts to the shareholders as dividends, to allocate them to reserve items, or to carry them forward.

The General Shareholders' Meeting has the option of granting the shareholders, for all or part of the dividends paid out or interim dividends, an option of payment in cash or payment in shares under the conditions laid down by the law. Furthermore, the General Shareholders' Meeting may decide, for all or part of the dividend, interim dividends, distributed reserves or premiums, or for any capital reduction, that such distribution or such capital reduction will be carried out in kind by delivery of Company assets.

The Board of Directors has the option of distributing interim dividends prior to the approval of the annual financial statements pursuant to the terms and conditions provided for by law.

8.1.8 GENERAL SHAREHOLDERS' MEETINGS

8.1.8.1 Notice of meetings

General Shareholders' Meetings are convened and deliberate under the terms and conditions provided for by law. Meetings are held at the Company's registered office or at any other location stated in the notice.

Shareholders' decisions are made at ordinary, extraordinary, special or combined meetings, depending on the nature of the decisions that shareholders are called upon to make.

8.1.8.2 Participation in and attendance at Meetings

Conditions

All shareholders, regardless of the number of shares they hold, are entitled to attend meetings in accordance with the laws and regulations in force, either by attending them in person, by being represented at them, by voting pursuant to the ballot-by-mail process, (also known as "by mail"), or by giving a proxy to the Chairman of the meeting.

In accordance with Article R.225-85 of the French Commercial Code, the only shareholders permitted to attend meetings are those who can provide proof of their legal status through the recording of the securities in their name, or in the name of the intermediary registered as acting on their behalf, no later than the second business day prior to the meeting at midnight, Paris time (hereafter, D-2), either in the registered securities accounts, or in bearer securities accounts held by their authorized intermediary.

For registered shareholders, this accounting recognition in the registered securities accounts on D-2 is sufficient for them to be able to attend.

For holders of bearer shares, it is the responsibility of the authorized intermediaries that hold the bearer securities accounts to provide proof of their legal status as a shareholder on their clients' behalf to the clearing institution for the meeting appointed by Veolia Environnement, by providing evidence of a certificate of shareholding which they append to the ballot-by-mail voting form or proxy form or to the admission card request drawn up in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary.

Procedures

Shareholders wishing to attend the General Shareholders' Meeting in person must apply for an admission card:

- registered shareholders should apply directly to the clearing institution for the Meeting appointed by Veolia Environnement (hereinafter "the clearing institution");
- holders of bearer shares should apply to their financial intermediary.

If a holder of bearer shares wishing to attend the meeting in person has not received their admission card by D-2, they must 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, 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, 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.

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.

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(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.*

8.1.12 AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND CHANGES TO THE SHARE CAPITAL AND RIGHTS ATTACHED TO SHARES

All amendments to the Articles of Association and changes to the share capital or the voting rights attached to the securities that make up the share capital must comply with applicable law, since the Articles of Association do not contain any specific provisions relating thereto.

8.2 Litigation

The most significant legal proceedings involving the Company or its subsidiaries are described hereinafter. In addition, tax audits and disputes are described in chapter 4, section 4.1, note 11.3 to the consolidated financial statements.

The description of the most significant legal, administrative or arbitration proceedings set forth in chapter 4, section 4.1, note 12 to the consolidated financial statements is incorporated by reference within this Chapter 8, Section 8.2. The main updates concerning these disputes, which are set forth in note 12 and reflect significant changes that have occurred up to the registration date of this document, are also described in this Chapter 8, Section 8.2.

The Company is not aware of any other current or threatened legal, administrative or arbitration proceedings which, during the past twelve months, may have had or have had a material adverse effect on the financial condition or profitability of the Company and/or the Group.

Total consolidated reserves booked for all of the Group's disputes (see chapter 4, section 4.1, note 10 of the consolidated financial statements), including reserves for tax and labor law disputes, group together a large number of disputes for amounts that are individually immaterial. These reserves include all probable losses relating to the various disputes that Veolia Environnement encounters in conducting its business. The largest reserves booked for disputes (excluding tax and labor law litigation) in the financial statements for December 31, 2016 are approximately €19.5 million.

NORTH AMERICA

United States - Flint

See chapter 4, section 4.1, note 12 to the consolidated financial statements.

United States – WASCO and Aqua Alliance

Several current and former indirect subsidiaries of Veolia Eau in the United States[1] are defendants in lawsuits in the United States, in which the plaintiffs seek recovery for personal injuries and other damages allegedly due to exposure to asbestos, silica and other potentially hazardous substances. With respect to the lawsuits against Veolia Eau's former subsidiaries, certain of Veolia Eau's current subsidiaries retain liability and in certain cases manage the defense of the lawsuits. In addition, in certain instances, the acquirers of the former subsidiaries benefit from indemnification obligations provided by Veolia Eau or Veolia Environnement in respect of these lawsuits. These lawsuits typically allege that the plaintiffs' injuries resulted from the use of products manufactured or sold by Veolia Eau's current or former subsidiaries or their predecessors. There are generally numerous other defendants, in addition to Veolia Eau's current or former subsidiaries, which are accused of having contributed to the injuries alleged. Reserves have been booked for the possible liability of current subsidiaries in these cases, based on the nexus between the injuries claimed and the products manufactured or sold by these subsidiaries or their predecessors, the extent of the injuries allegedly sustained by the plaintiffs, the involvement of other defendants and the settlement history in similar cases. These reserves are booked at the time such liability becomes probable and can be reasonably assessed, and do not include reserves for possible liability in lawsuits that have not been initiated.

As of the date of this registration document, a number of such claims have been resolved either through settlement or dismissal. To date, none of the claims has resulted in a finding of liability.

During the ten-year period ended December 31, 2016, the average annual costs that the Company has incurred with respect to these claims, including amounts paid to plaintiffs, legal fees and expenses, have been approximately U.S.$815,000, after reimbursements by insurance companies.

United States – HPD vs. TETRA Technologies

See chapter 4, section 4.1, note 12 to the consolidated financial statements.

(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 WESTERN EUROPE

Romania

See chapter 4, section 4.1, note 12 to the consolidated financial statements.

Lithuania

See chapter 4, section 4.1, note 12 to the consolidated financial statements.

Actions to sanction the Group due to heat price increases

Litesko repeated its request before the civil court to suspend proceedings until the issuance by the supreme administrative court of a final decision with respect to the Competition Authority's decision, which was handed down by the civil court on February 22, 2017.

National Commission – UVE

On February 6, 2017, on the basis of the final report findings, the National Commission drafted a memorandum concerning breaches relating to regulated activities, in which it accused UVE of violating the principles and objectives of energy and heating laws. UVE responded to these accusations in writing. The National Commission will assess UVE's explanations and determine whether or not to impose a fine on the company, which could be as high as 1% of the preceding year's proceeds (or €1.3 million).

NORTHERN EUROPE

United Kingdom – Waste – Sheffield

See chapter 4, section 4.1, note 12 to the consolidated financial statements.

ITALY

Siram / Polare

On April 3, 2012, the Italian Energy Services company, Siram, had its premises searched as part of a preliminary investigation of the research body, Polytechnic Laboratory of Research SCaRL ("Polare"), among others. Siram had in the past solicited research services from Polare, which gave rise to research tax credits. During the summer of 2012, Siram applied for a partial tax clearance procedure in respect of such research tax credits for an amount of €5.6 million.

Following an initial tax audit, initiated in 2013, for the 2009 taxation year, the Italian authorities have reconsidered the amount of corporate taxes (IRES and IRAP), the recovery of VAT on Polare invoices and the research tax credits generated in 2009. Siram compromised with the authorities in relation to VAT and revenue taxes for a total of €5.8 million that it will pay over three years starting from 2015. Moreover, Siram contested the €6.9 million recovery on research tax credits before the administrative tax judge. In a ruling on March 16, 2016, the administrative tax judge rejected the appeal.

Following a second tax audit launched in 2015, relating to the 2010-2012 period and to the same taxes, Siram settled with the authorities for a total amount of €6.3 million.

In April 2016, Siram settled all of the amounts claimed by the Italian tax authorities following the two tax audits.

Concomitantly, in August 2012, the Venice civil court issued against Siram an injunction of payment of €2.8 million to Polare for allegedly unpaid receivables and interim provisional enforcement. At the end of August 2012, Siram was granted a suspension of this provisional enforcement and counterclaimed for the repayment of a substantial portion of the approximately €20 million in advance payments made to Polare (payments for services that were not provided).

Because of Polare's bankruptcy (*fallimento*), which was pronounced in July 2013, the proceedings relating to the objection to the payment injunction and those relating to Siram's counterclaim were separated. In its ruling of January 15, 2016, the Venice court upheld Siram's objection and revoked the payment injunction. On February 17, 2016, Siram's counterclaim was taken under consideration, but, by an order of February 29, 2016, the court ruled that it did not have sufficient technical information to address the substance of the dispute and appointed an expert, who issued its report at the end of 2016.

In addition, following an investigation opened in 2012 by the Milan public prosecutor, on June 4, 2015, the public prosecutor indicted natural persons representing the company for fraud, tax fraud (the fraudulent use of research tax credits) and false 2009 income tax declarations as well as Siram, as a legal entity, solely for fraud. On March 18, 2016, the judge of the preliminary hearing referred the natural persons and Siram before the Milan criminal court. A hearing is set for July 14, 2017, so that the judge can rule on the admissibility of the applications to join proceedings as a civil party.

VSAT

See chapter 4, section 4.1, note 12 to the consolidated financial statements.

OTHER SECTORS

Société Nationale Maritime Corse Méditerranée (SNCM)

See chapter 4, section 4.1, note 12 to the consolidated financial statements.

Regional aids for road transport of passengers

See chapter 4, section 4.1, note 12 to the consolidated financial statements.

Connex Railroad

On October 17, 2012, several insurance companies that had contributed to the compensation fund for victims of the September 2008 rail accident in Chatsworth, California, launched proceedings before the courts of Los Angeles County, California, against Connex Railroad LLC ("Connex") and Veolia Transportation, Inc., representing the rights of Connex North America, Inc. ("Transdev North America"), seeking repayment of an amount of $132.5 million. The Company considers this claim unfounded, and the defendant subsidiaries are seeking its dismissal.

On January 23, 2015 and June 23, 2015, the largest contributors to the victim compensation fund, which are also the most important claimants in the proceedings, have withdrawn from their action against Connex and Transdev North America so that the repayment amount of $132.5 million claimed in 2012 has been reduced to approximately $22 million.

On September 18, 2015, the Superior Court of California rejected the insurance companies' lawsuit for lack of evidence, which was upheld by a ruling on May 3, 2016 and served on May 24, 2016. On July 20, 2016, the insurers lodged an appeal against this decision.

The guarantee of the insurance companies AXA Corporate Solutions ("AXA") and AIG within the framework of the Veolia group's insurance program, from which Connex and Transdev North America benefit, is now being disputed by these insurance companies.

On July 30, 2015, AXA summoned the Company, in the presence of AIG, before the Paris commercial court in order to dispute the coverage of defense fees incurred in the United States by Connex and Transdev North America, as well as, where applicable, the coverage of any potential conviction of these companies in the context of the aforementioned proceeding. Suit has nevertheless not been filed in this proceeding against Connex and Transdev, from which AXA has claimed €100,000. No claim has been made against the Company.

On January 12, 2016, Connex and Transdev North America brought legal action against AXA before the Superior Court of California in order to request a referral before a jury and that AXA be ordered to pay compensatory and punitive damages and interest. Connex and Transdev North America have criticized AXA for having forced them to defend themselves alone in the aforementioned proceeding, in violation of its obligation to defend insured parties and its good faith obligation. On September 16, 2016, the Superior Court of California held that it had jurisdiction to hear the dispute.

On January 27, 2016, the Company submitted its pleadings before the Paris commercial court to dispute the validity of the summons of July 30, 2015 and request its cancellation. On June 2, 2016, the court upheld this claim, and on June 23, 2016, AXA appealed.

On February 18, 2016, AXA had a new summons served on the Company and AIG to appear before the Paris commercial court and named Connex, Transdev North America and Transdev Group as codefendants. No claim has been made against the Company. AXA has requested that Transdev Group, Transdev North America and Connex be made to pay €100,000 in compensation for fees generated by their guarantee claims.

8.3 Change in control and major contracts AFR (1)

In many countries, including France, local authorities can terminate contracts entered into with Group companies (see Chapter 5, Section 5.1.2.6 above). The takeover of Veolia Environnement could also affect the validity of contracts entered into by Group companies that include a change in control clause.

Further to the completion of the redistribution transaction on July 25, 2014, Veolia Environnement granted EDF a call option covering its Dalkia International, renamed Veolia Energie International, shares exercisable should an EDF competitor take control of this company. Likewise, EDF granted Veolia Environnement a call option covering all of its Dalkia shares, exercisable should a Veolia Environnement competitor take control. These 5-year call options expire on July 25, 2019.

Finally, the stock option plans implemented by the Company which are currently in force (see Chapter 7, Section 7.4.3 above) provide that options become immediately and unconditionally exercisable in the event of a public offer for the Company's shares.

(1) *Article L.225-100-3 of the French Commercial Code.*

8.4 Main financial flows between Veolia Environnement and the main subsidiaries of the geographic structure Business Units

The main financial flows between Veolia Environnement and the main subsidiaries of the geographic structure Business Units are disclosed in the notes to the Veolia Environnement financial statements set forth in Chapter 4, Section 4.2 above.

Veolia Environnement primarily finances its Business Units through loans and current accounts (net position of €7.8 billion as of December 31, 2016) and through equity. As a result, it received €314.6 million in interest and €311.4 million in dividends in 2016. 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 €463.1 million, primarily in respect of the provision of services and brand royalties and temporary out-placement of personnel. In addition, in connection with contractual commitments relating to the financial management of repair and maintenance work at facilities made available by delegating authorities, the Company received indemnities of €81 million in full and final settlement from Water France Business Unit subsidiaries and paid €97.7 million to Water France Business Unit subsidiaries in 2016.

As part of its operating activities, Veolia Environnement granted financial and operating guarantees totaling €2,450.0 million as of December 31, 2016.

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 2016 and attributable to the Company as of December 31, 2016, broken down between Veolia Environnement and its Business Units.

Information as of December 31, 2016:

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	3,542.4	9,372.4	7,386.1	1,783.2	355.3	24.3	22,463.7
Non-Group debt (1)	175.5	310.3	641.8	84.4	11,868.5	5.1	13,085.6
Net cash per the balance sheet (2)	(16.8)	187.7	252.1	140.1	4,674.1	37.4	5,274.6
Net cash flows from operating activities	429.5	1,107.9	702.3	163.6	141.5	11.1	2,555.9
Impact on the Veolia Environnement Company financial statements *(in € million)*							
Dividends paid during the period and attributable to Veolia Environnement	151.4	0.0	10.3		149.7		

(1) Non-current borrowings + current borrowings +/- fair value remeasurement of cash instruments.

(2) Cash and cash equivalents less bank overdrafts and other cash position item.

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/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/regulated-information. Finally, the Company's Articles of Association, as well as the minutes of General Shareholders' Meetings, the Statutory Auditors' reports and all other corporate documents, may be consulted at the 30, rue Madeleine Vionnet, 93300 Aubervilliers.

8.6 Persons responsible for auditing the financial statements

8.6.1 STATUTORY AUDITORS

KPMG SA

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Versailles Regional Auditors' Association).

Represented by Mr. Jean-Paul Vellutini and Ms. Karine Dupré.

2, avenue Gambetta, Tour Eqho, 92066 Paris la Défense Cedex.

Company first appointed by the Combined General Meeting of May 10, 2007 and reappointed by the Combined General Meeting of May 14, 2013 for a six-year term that will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2018.

Ernst & Young et autres

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Versailles Regional Auditors' Association).

Represented by Messrs. Xavier Senent and Gilles Puissochet.

1-2, place des Saisons, Paris- La Défense 1, 92400 Courbevoie.

Company first appointed on December 23, 1999 and reappointed by the Combined General Meeting of May 17, 2011 for a six-year term that will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016(1).

8.6.2 DEPUTY STATUTORY AUDITORS

KPMG Audit ID

2, avenue Gambetta, Tour Eqho, 92066 Paris la Défense Cedex.

Company first appointed by the Combined General Meeting of May 14, 2013 for a six-year term that will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2018.

AUDITEX

1-2, place des Saisons, Paris- La Défense 1, 92400 Courbevoie.

Company first appointed on May 12, 2005 and reappointed by the Combined General Meeting of May 17, 2011 for a six-year term that will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016(2).

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(1) *The renewal of the term of office of Ernst & Young et autres is presented to the General Shareholders' Meeting of April 20, 2017 for approval.*

(2) *The renewal of the term of office of Auditex is not presented to the General Shareholders' Meeting of April 20, 2017, 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. This letter does not contain any observations.

Aubervilliers, March 15, 2017

Chairman and Chief Executive Officer

Antoine Frérot

8.8 Cross-reference table

8.8.1 REGISTRATION DOCUMENT CROSS-REFERENCE TABLE

To facilitate the reading of this Registration Document, the following table cross-references the main headings as required by Annex I of Commission Regulation (EC) no. 809/2004 of April 29, 2004 with the corresponding pages.

Heading in Annex I of Commission Regulation (EC) no. 809/2004	Chapters / Sections of the Registration Document	Pages
1 – Persons responsible		
1.1 Persons responsible for the information	8.7	375
1.2 Statement by those responsible for the information	8.7	375
2 – Statutory Auditors		
2.1 Name and address of the issuer's auditors	8.6	374
2.2 Information on the resignation or removal of the auditors	N/A	
3 – Selected financial information		
3.1 Historical financial information	Key figures	5
3.2 Interim financial information	N/A	
4 - Risk factors	**5**	**233**
5 – Information about the issuer		
5.1 Company history and development	1.1	8
5.1.1 Legal and commercial name	8.1.1	366
5.1.2 Place of registration and registration number	8.1.4	366
5.1.3 Date of incorporation and company term	8.1.3	366
5.1.4 Registered office and legal form of the issuer, legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office	8.1.1 and 8.1.2	366
5.1.5 Important events in the developments of the issuer's business	3.1	62
5.2 Investments		
5.2.1 Principal investments completed	3.3.2 and 4.1 Note 3.2	65, 110
5.2.2 Principal investments in progress	3.3	81
5.2.3 Principal planned future investments	3.3	81
6 – Business overview		
6.1 Principal activities	1.3.1 and 1.4	14, 27
6.2 Principal markets	1.3.2	19
6.3 Exceptional events	N/A	
6.4 Dependence on patents, licenses, contracts and manufacturing processes	1.5.2	41
6.5 Basis for any statements made by the issuer regarding its competitive position	1.3 and 1.4	14, 27
7 – Organizational structure		
7.1 Brief description of the Group	1.4.1 and 8.4	27, 363
7.2 List of issuer's significant subsidiaries	4.1 Note 15 and 4.2 Note 7.11	187, 226
8 – Property, plant and equipment		
8.1 Principal property, plant and equipment	1.5.3 and 4.1 Note 7.3	41, 142
8.2 Environmental issues that may affect the issuer's use of property, plant and equipment	1.6	42
9 – Operating and financial review		
9.1 Financial condition	3.2 to 3.4 and 4.1	65, 94
9.2 Operating results	3.2.2, 4, 4.1 Note 5.2	66, 93, 119
10 – Capital resources		
10.1 Information on the issuer's capital	4.1 and 4.1 Note 9	94, 169
10.2 Sources and amounts of cash flows	4.1 and 4.1 Note 8.1 to 8.1.3	94, 144 to 152

Heading in Annex I of Commission Regulation (EC) no. 809/2004	Chapters / Sections of the Registration Document	Pages
10.3 Borrowing requirements and funding structure	2.1.7, 4.1 Note 8.1.1 and 5.2.2.1.3	56, 144, 244
10.4 Restrictions on the use of capital resources	4.1 Note 8 and 5.2.2.2.3	144, 246
10.5 Anticipated sources of funds	3.3 and 4.1 Note 8	81, 144
11 – Research and development, patents and licenses	**1.5.1 and 1.5.2**	**39, 41**
12 – Information on trends		
12.1 Significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last fiscal year	3.6	87
12.2 Known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects	1.2, 3.7, 3.9 and 4.1 Note 14	9, 87, 92, 186
13 – Income forecasts or estimates	N/A	
14 – Administrative, management and supervisory bodies and senior management		
14.1 Information concerning members of the Board of Directors and Executive Management	7.1 and 7.3	308, 357
14.2 Conflicts of interest	7.1.3	322
15 – Remuneration and benefits		
15.1 Remuneration and benefits in kind	7.4.1 and 7.4.4	339, 353
15.2 Retirement or other similar benefits	7.4.2 and 7.4.5	348, 357
16 – Board practices		
16.1 Terms of office of members of the Board of Directors	7.1.1 and 7.1.2	308, 322
16.2 Service agreements involving members of the Board of Directors	4.1 Note 13	186
16.3 Information on the Audit and Compensation Committees	7.2.2.1 and 7.2.2.3	323, 335
16.4 Statement regarding corporate governance	7.2.1.1	323
17 – Employees		
17.1 Number of employees	Key figures and 6.4.1	2, 285
17.2 Shareholdings and stock options	7.4.3	350
17.3 Arrangements providing for employee involvement in the share capital	6.4.3.4	294
18 – Major shareholders		
18.1 Identification of major shareholders	2.2	58
18.2 Existence of different voting rights	2.2.1, 2.2.2 and 8.1.9	58, 59, 369
18.3 Control of the issuer	2.2	58
18.4 Arrangements which could lead to a change in control of the issuer	8.3	372
19 – Related-party transactions	**4.1 Note 13**	**186**
20 – Financial information concerning the assets and liabilities, financial position and income of the issuer		
20.1 Historical financial information	Key figures, 4.1 and 4.2	2, 94, 195
20.2 *Pro forma* financial information	N/A	
20.3 Financial statements	4.1 and 4.2	94, 195
20.4 Audit of historical annual financial information	4.1 and 4.2	94, 195
20.5 Date of most recent financial information	4	93
20.6 Interim and other financial information	N/A	
20.7 Dividend policy	2.3 and 8.1.7	60, 367
20.8 Legal and arbitration proceedings	4.1 Note 12 and 8.2	180, 370
20.9 Significant change in the financial or trading position	1.3 and 4.1 Note 3.2	14, 110
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	50, 54
21.1.2 Shares not representing capital	2.1.5	55
21.1.3 Shares in the issuer held by the issuer itself	2.1.3	51

Heading in Annex I of Commission Regulation (EC) no. 809/2004	Chapters / Sections of the Registration Document	Pages
21.1.4 Convertible securities, exchangeable securities or securities with subscription warrants	2.1.7, 3.9, 4.1 Note 8.1 and 7.4.3	56, 92, 144, 350
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	55
21.2 Memorandum and Articles of Association		
21.2.1 Corporate purpose	8.1.5	366
21.2.2 Administrative, management or supervisory bodies	7.1 and 7.2	308, 323
21.2.3 Rights, preferences and restrictions attaching to shares	8.1.7 and 8.1.9	367, 369
21.2.4 Changes to shareholder rights	8.1.12	370
21.2.5 Conditions governing the manner in which general shareholders' meetings are called and conditions of admission	8.1.8	367
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	369
21.2.8 Conditions governing changes in capital more stringent than required by law	N/A	
22 – Material contracts	**8.3**	**372**
23 – Third party information and statements by experts and declarations of any interest	**N/A**	
24 – Documents available to the public	**8.5**	**373**
25 – Information on investments	**1.4, 4.1 Note 15 and 4.2 Note 7.11**	**27, 187, 226**

8.8.2 ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

To facilitate the reading of this Registration Document, the following table identifies the information comprising the annual financial report that must be published by listed companies pursuant to Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the General Regulations of the French Financial Markets Authority (*Autorité des Marchés financiers*).

Information required	Chapters / Sections of the Registration Document	Pages
1 – Consolidated financial statements	4.1	94
2 – Company financial statements	4.2	195
3 – Management report	See Cross-reference table below	
4 – Statement by the person responsible for the annual financial report	8.7	375
5 – Statutory Auditors' reports on the consolidated financial statements and the Company financial statements	4.1 and 4.2	193, 229
6 – Disclosure regarding the Statutory Auditors' fees	3.5	86
7 – Report of the Chairman of the Board of Directors on corporate governance and internal control (Article L. 225-37 of the French Commercial Code)	5.5	255
8 – Statutory Auditors' report on the Report of the Chairman of the Board of Directors on internal control (Article L. 225-37 of the French Commercial Code)	5.6	256

8.8.3 BOARD OF DIRECTORS' MANAGEMENT REPORT CROSS-REFERENCE TABLE

This Registration Document includes all required disclosures in the Board of Directors' Management Report and particularly those set out in Articles L. 225-100 *et seq.* and L.232-1 II of the French Commercial Code. These disclosures are identified in the following table.

	Chapters/ Sections of the Registration Document	Pages
1 - Activity		
Position and activity of the Company and, as applicable, its subsidiaries and controlled companies during the previous fiscal year and of all the companies within the scope of consolidation	1.3, 1.4 and 3.1	14, 27, 72
Results of the Company's activity, subsidiaries, and controlled companies	3.2 and 4.1	75, 94
Analysis of trends in business, results and the financial position of the Company and, specifically, its debt position in terms of business volume	1, 3.3 and 4.1	7, 81, 94
Analysis of non-financial key performance measures relating to the specific activities of the Company and particularly information concerning environmental or employee issues	3, 4.1 and 6	61, 94, 257
Description of the main risks and uncertainties facing the Company as well as indications regarding the use of financial instruments, when this is relevant to changes in assets and liabilities, the financial position and the Company's profit and loss	5.1 and 5.2	50, 58
Price, credit, liquidity and cash flow risk, risk of fluctuations in share prices, risks arising in the event of interest rate fluctuations and lower exchange rates: information on the reasons for trading on the market in question	4.1 Note 8.3, 4.2 Note 7.3, 5.1.1.3 and 5.1.2.3	154, 220, 235, 239
Branches	4.2	195
Research and development activities	1.5.1	39
Foreseeable developments in the position of the Company/Group and future outlook	3.7	87
Major events occurring between the closing date of the fiscal year and publication of the report and between the closing date of the fiscal year and the date of preparation of the consolidated financial statements	3.6 and 4.1 Note 14	87, 156
2 – Accounting and financial information		
Changes to the presentation of the annual financial statements or in the valuation methods adopted	3.8, 4.1 Note 1 and 4.2 Note 2	87, 104, 205
Amount of expenses not deductible for tax purposes.	4.2	195
Overall amount of sumptuary expenditure and the corresponding tax (Article 223 quarter of the French General Tax Code).	4.2	195
General expenses added-back to taxable income, by overall amount and expense category.	4.2	195
Information on supplier settlement periods	4.2	195
Net income for the fiscal year and proposed appropriation of net income	4.2	195
Reminder of dividend distributions during the last three fiscal years.	2.3	60
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	195
Controlling interests in companies whose registered office is in France	3.1.2, 4.1 Note 3.2 and 4.2 Note 7.11	62, 110, 226
4 – Information on share capital, reciprocal shareholdings and treasury shares		
Name of controlled companies holding shares in the Company and the percentage of share capital held	2.2.1 and 4.14, Note 15	58, 187
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	58
Buyback by the Company of its own shares	2.1.3 and 4.1 Note 9	51, 169
5 – Employee share ownership on the last day of the fiscal year		
Percentage of the Company's share capital held by employees	6.4.3.4	294
Employee share ownership on the last day of the fiscal year	2.2 and 6.4.3.4	58, 294
Disclosure of the percentage of share capital represented by shares held by employees of the Company and employees of related companies	6.4.3.4	294
Shareholder agreements that may result in a reduction in the transfer of shares and the exercise of voting rights	8.3	372
6 – Stocks options and free share grants		
Stocks options and free share grants	7.4.3.1	350

	Chapters/ Sections of the Registration Document	Pages
7 – Information on corporate officers		
List of offices and positions held in all companies by each corporate officer	7.1.1	308
Chosen method of exercising executive management	7.3.1	337
Position of corporate officers: appointment, renewal and notification of cooptation	7.1	308
Transactions in Company shares by executives and closely-related persons	7.5.2	360
Free shares and/or stock options granted to/held by corporate officers	7.4.3.1	350
Corporate officer compensation:	7.4	339
• total compensation and benefits of any kind awarded to corporate officers		
• description of the fixed, variable and exceptional components of compensation and benefits, as well as the criteria pursuant to which they were calculated or the circumstances under which they were determined		
• detail of commitments of any kind given by the Company to its corporate officers and, particularly, any component of compensation, indemnities or benefits payable or likely to be payable on taking, leaving or changing such positions or subsequent to that event		
• further details on the mechanisms for determining such commitments and their amounts, if included in the agreements		
Total directors' fees received by members of the Board of Directors in respect of the past fiscal year	7.4.1.2	339
8 – Environmental, social and societal information		
Environmental information	see cross-reference table below	
Social information	see cross-reference table below	
Societal information	see cross-reference table below	
9 – Other information		
Agreements entered into between a corporate officer or a shareholder holding more than 10% of voting rights and a subsidiary (excluding everyday agreements)	4.1 Note 13	186
Factors likely to have an impact in the event of a public offer	8.3	372
Information on facilities classified as high risk: • risk prevention policy for technological accidents implemented by the Company • ability of the Company to cover its third-party liability for property and persons resulting from the operation of such facilities • means implemented by the Company to ensure the management of victim compensation in the event of a technological accident for which the Company is liable	5.1.2.5, 5.2.2.2.5 and 5.2.3	240, 247 and 248
10 – Statutory auditors		
Terms of office of statutory auditors	8.6	374
11 – Documents to be appended to the management report and/or to be communicated to shareholders		
Table of results for the last five years	4.2	195
Summary table: • current delegations of authority and powers granted to the Board of Directors or to the Management Board by the General Shareholders' Meeting in respect of share capital increases • use of such delegations during the past fiscal year	2.1.4	54
Marketable securities held in portfolio at the end of the fiscal year	4.2	195
• Report of the Chairman of the Board of Directors pursuant to Article L. 225-37 of the French Commercial Code	5.5	255
• Statutory Auditors' Report on the Report of the Chairman of the Board of Directors	5.6	256
• Statutory Auditors' Report on the annual financial statements, including the latter's certification of the accuracy and fair presentation of disclosures in the management report on the compensation of corporate officers	4.2	195
• Additional reports on transactions carried out by the Company relating to stock options and free share grants	N/A	
• Report on share purchase transactions pre-approved by the General Shareholders' Meeting under a share repurchase program	2.1.3 and 2.1.6	50, 55
• Report on components of compensation, pursuant to Article L. 225-37-2 of the French Commercial Code	7.4	339

8.8.4 CORPORATE SOCIAL RESPONSIBILITY, ENVIRONMENTAL AND SUSTAINABLE DEVELOPMENT CROSS-REFERENCE TABLE (ARTICLES L.225-102-1 AND R.225-105 OF THE FRENCH COMMERCIAL CODE)

This Registration Document includes all corporate social responsibility, environmental and sustainable development and circular economy disclosures required by Articles L.225-102-1 and R.225-105 of the French Commercial Code. These disclosures are identified in the following table.

	Chapters/Sections of the Registration Document	Pages
1 – Social information		
a) Employment: • the total workforce and the breakdown of employees by gender, age and geographic area • hires and redundancies • compensation and compensation trends	6.4.1	285
b) Organization of work time: • organization of working hours • absenteeism	6.4.2.2	290
c) Employee relations: • organization of dialogue with employees, particularly information-sharing procedures and consultation and negotiation with personnel • collective bargaining agreements	6.4.4.2	298
d) Health and safety: • health and safety conditions at work • agreements signed with trade unions and employee representatives in relation to health and safety at work • workplace accidents, including their frequency and severity, as well as occupational diseases	6.4.2	287
e) Training: • training policies implemented • total number of training hours	6.4.3	291
f) Equal treatment: • measures taken to promote gender equality • measures taken to promote the recruitment and integration of disabled people • anti-discrimination policy	6.4.4.1	296
g) Promoting and complying with the provisions of key International Labor Organization conventions on: • freedom of association and the right to collective bargaining • the elimination of discrimination in employment and occupation • the elimination of forced or compulsory labor • the effective abolition of child labor	6.4.4.3	299
2 – Environmental information:		
a) General environmental policy: • organization of the Company to take account of environmental issues and, where applicable, assessment and certification procedures relating to such issues • measures to train and inform employees about environmental protection • resources dedicated to the prevention of environmental risks and pollution • contingency provisions and guarantees relating to environmental issues, provided disclosure of this information is not detrimental to the Company's interests in an ongoing dispute	6.2.1	259
b) Pollution: • measures to prevent, reduce or remediate air, water or soil pollution with a severe environmental impact • measures to take account of noise pollution and any other form of pollution specific to a particular activity	6.2.2.2	263
c) Circular economy: i) Waste prevention and management: • measures to prevent, recycle and reuse waste and other forms of waste recovery and elimination	6.2.2.2	263
• actions in the fight against food waste	6.2.2.1	260
ii) Sustainable use of resources: • consumption and supply of water in accordance with local restrictions	6.2.2.1	260
• consumption of raw materials and measures taken to improve efficiency of use	6.2.2.1	260
• energy consumption, measures taken to improve energy efficiency and use of renewable energy	6.2.3.6	271
• use of soil	6.2.2.1	260

	Chapters/Sections of the Registration Document	Pages
d) Climate change: • material installations emitting greenhouse gas as a result of the Company's activities, notably through the use of goods and services it produces • adaptation to the consequences of climate change	6.2.3	267
e) Protection of biodiversity: • measures taken to preserve or develop biodiversity	6.2.4	274
3 – Information on sustainable development corporate commitments:		
a) Territorial, economic and social impact of the Company's activity: • on regional development and employment • on neighboring and local populations	6.3.2	280
b) Relations with individuals or organizations that have an interest in the Company's activities, including organizations that help people back to work, teaching institutions, environmental protection associations, consumer groups and local residents: • conditions of dialogue with these individuals or organizations • partnership and corporate patronage initiatives	6.3.1 and 6.3.2.1	275, 280
c) Sub-contracting and suppliers: • inclusion of social and environmental factors in the procurement policy • importance of sub-contracting and the inclusion of supplier and sub-contractor social and environmental responsibilities in relations with them	6.3.1.7	278
d) Fair practice: • measures taken to safeguard against corruption • consumer health and safety measures	6.3.3.2, 6.3.5	283, 284
e) Other actions taken under this heading (3) to promote human rights.	6.3.4	284

2017 FINANCIAL REPORTING SCHEDULE

February 23, 2017
2016 Annual Results

April 20, 2017
General Shareholders' Meeting

May 4, 2017
Key figures at March 31, 2017

July 31, 2017
2017 First Half Results

November 7, 2017
Key Figures at September 30, 2017

This document is printed in France by an Imprim'Vert certified printer on PEFC certified paper produced from sustainably managed forest.

Designed & published by LABRADOR +33 (0)1 53 06 30 80

Resourcing the world

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A Public Limited Company (Société Anonyme)
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