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Useful internet links

Veolia Environnement’s sustainable development site
www.sustainable-development.veolia.com

Veolia Environnement
www.veoliaenvironnement.com

Veolia Environnement foundation
www.fondation.veolia.com

Veolia Environnement institute
www.institut.veolia.org

Your opinion can help us do better, please send us your comments

By e-mail
Sustainable Development Department – developpement.durable@veolia.com

or by post
Veolia Environnement – Sustainable Development Department
36-38, avenue Kléber – 75116 Paris – France
Phone: + 33 1 71750000 – Fax : + 33 1 71751000

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Christian Cochet • Bernard Harambik

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- Veolia Énergie-Dalkia : Bucheon • Muriel Aubay-Voisin • Gettyimages • Photofac

Conception and Design

avantplus (01 46 74 61 61), particularly Florence Wiltze
Ginkgo biloba

The ginkgo biloba is the last descendent of a family of trees that flourished across much of the planet over 200 million years ago. The only remaining wild-growing population is to be found in Eastern China. Highly resistant to pollution, insects and disease, this tree is often used in urban replanting programs. It is also thought to have curative powers in preventing memory loss. Veolia Environnement has chosen the ginkgo as a symbol of the durability of its sustainable development approach since 2003.
In your opinion, was the year 2007 a turning point in the public’s increasing awareness about the challenges of sustainable development and climate change?

The general awareness of decision-makers, the media and the public in general has been rapidly increasing over the last few years. 2007 was undoubtedly an important year with the impact of the Bali conference and the award of the Nobel Peace Prize to the IPCC (Intergovernmental Panel on Climate Change) and Al Gore. In my opinion, the essential point is that people are seeing for themselves that what has been explained to them scientifically is consistent with what they see in their daily lives. The effects of climate change can be seen everywhere. However, we must not forget that there are other major environmental challenges. For example, access to water and sanitation, and threats to biodiversity.

How does this awareness affect your role with your clients and other stakeholders?

There is a greater awareness but, at the same time, it is already a time of action. And action, in terms of sustainable development, is noticeable firstly in the management of urban communities and large cities around the entire world. Our current and future clients are town and city councils, and they are now moving from being concerned to taking action. We are now helping them build sustainable cities in the same way that we helped them build more efficient and less polluted cities in the past. The strategy that we adopted a few years ago, aimed at concentrating on the business of environmental services alone, has put us in an excellent position for finding global and innovative solutions to their needs. We are one of the few companies in the world capable of doing this, because we have all the necessary knowledge. For example, the decision that we have made to be involved in the public transportation sector is not only justified, but is also essential to prove that our company has the expertise to propose a global approach towards reducing carbon emissions in urban areas.

"Finding solutions to increasingly strict constraints to save rare resources and reduce impacts on the environment"

Interview with Henri Proglio, Veolia Environnement’s Chief Executive Officer and Chairman
INTERVIEW

Veolia Environnement — Sustainable development report 2007

What are your main commitments in terms of sustainable development and how are they broken down within your different activities?

In my opinion, we have now taken an important step and are now entering a more mature phase. Last year we enthusiastically committed ourselves to the difficult mission of setting minimum environmental and social standards for our Group that we will apply throughout the world. This is a very demanding exercise for a company that works in nearly 70 countries across all continents. But even more demanding is the need to update the frameworks within which we are active, so as to better meet increasing constraints on rare resources and reducing impacts on the environment. It is a task in which we can play a major role, but we cannot do it alone. We need the help of our clients, and national and European authorities, to make this change that goes beyond our contractual and commercial obligations.

These subjects are being brought up by an increasing number of stakeholders internationally at the moment. How do you meet their desire for transparency, education and assistance?

In this field too, we need to know how to pass from the communication phase to the research and joint action phase. The Sustainable Development Visiting Committee that I created last year has enabled us to benefit from the opinions of independent experts. All opinions that they have on our strengths and weaknesses are welcome. In 2007, we carried out an environmental and social responsibility audit on a large number of our operations in Africa and Latin America. This was commissioned in order to obtain a clearer view of our challenges and the manner in which we can face them.

We have succeeded in encouraging development banks to share in the capital of our subsidiaries in several countries, for example, the World Bank, the French Development Agency in Africa and Middle East, and the EBRD in Eastern Europe. With the help of NGOs and the main international foundations, we are searching more and more for joint action models that give priority to transparency. It is essential that everyone should be increasingly open with each other and go beyond self-interest and personal comfort, and work together to a greater extent. The urban growth of tomorrow will take place largely in areas with the least infrastructures and services. An economic and social balance is more difficult to achieve in such areas.

What are the strengths of Veolia Environnement in inventing and developing the future technologies of change?

Veolia Environnement has much to contribute towards the definition of new models to meet the needs of large cities in the developing world.

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Veolia Environnement has much to contribute towards the definition of new models to meet the needs of large cities in the developing world.
The Reality of Climate Change

Climate change is an overriding concern. It is likely to result in more frequent and extreme droughts, storms, and floods. It will generate considerable health challenges; it may well lead to serious conflicts, and will certainly have increasing consequences for business activity. The urgency of combating its dangers will become an ever more insistently demanded upon governments, the European Union, and international organizations. We can expect the pricing of carbon emissions and rising price of energy to drive up costs and increase demand for efficiency savings. This will also have significant implications for the transportation sector in terms of vehicle efficiency, fuel prices and public transportation provision. All will lead to additional pressures and opportunities for Veolia’s operations and services. Effective management of its own and its clients’ GHG emissions is therefore essential.

To this end, Veolia will need to adopt both mitigation strategies and adaptation measures to take full advantage of its role in the fight against climate change. Some of those mitigation measures already exist but new technologies will be needed as will the development of the means to transfer and broadcast them. Veolia will want to play a central role here. This should involve strategies, systems, and services that support adaptation to climate change for Veolia’s own operations, clients, and stakeholders. Critical areas include infrastructure, information, and capacity of stakeholders to respond to the environmental as well as the human dimensions of a changing climate.

The Management of Resources

The human ecological footprint has tripled since 1961 and now exceeds the world’s ability to regenerate by 25%. The global population is expected to reach 8 billion by 2050 and growth in world GDP points towards higher standards of living particularly in developing countries. Inevitably, therefore, Veolia will be faced with global competition for scarce and increasingly expensive resources, particularly energy and water, and will therefore need to substantially reduce its own ecological footprint. However, its expertise and experience puts it in a strong position to handle these problems and turn them into opportunities.

At the same time, consumer preferences and government regulation are changing in response to environmental concerns. Local authorities are becoming aware of these issues and of their responsibilities, though Veolia must also overcome weak governing processes that require it to engage effectively with citizens and opinion formers outside formal political structures. Climate change will be an accelerator of change Veolia will need to keep ahead of the pack and be an exemplar of a company that, by reducing its own emissions and developing lower-emission products, will gain competitive advantage. The stakes are high and their measure is perhaps best exemplified by the opportunity in the energy service markets, which alone is now estimated to be worth €5-10 billion.

Energy

Primary energy demand is expected to increase by more than one half by 2030 and fossil fuels will account for 85% of that overall increase. It is therefore a business necessity that Veolia reduces its own and its clients’ dependence on fossil fuels. Reducing energy consumption is a key factor in minimising carbon emissions and Veolia needs to set appropriate targets around these, e.g. metric tons of CO2 per thermal MWh produced.

One solution is to explore more technical options for Veolia’s buildings including efficient appliances and heating and cooling devices, improving insulation and installing active and passive solar energy. There are opportunities provided by CHP and decentralised energy. Veolia is also well positioned to move into second and third generation biofuels, and has the necessary expertise to promote the scaling down of technologies to produce biogas for rural communities in developing countries. Veolia could also look to provide carbon offsetting opportunities for its clients.

Water and sanitation

Water management, particularly reducing consumption and pollution, is an important challenge. The effects of climate change make that inevitable. Conflicts based on access to water will multiply, fuelled by food insecurity and health concerns. The world’s poor will be particularly vulnerable to the disruption caused by changes in the climate. The Group must become the natural choice for modern water services with the lowest possible water footprint. It must also show that it has grasped the urgency of the problem and is ready to meet the pace of change.

In this regard, Veolia should seek to influence the creation of environmentally and socially effective pricing systems and regulations. It should also emphasise the development of water saving, replenishment and sustainable supply initiatives. Veolia could look to develop more cost effective processes for separation of black and grey water, pre-treatment or limitation of industrial wastes, and efficient small-scale wastewater treatment, involving lower capital costs and infrastructure for wastewater management in developing countries. Sanitation and waste management in particular are key issues for developing countries. 2008 is the International Year of Sanitation.
and all the indicators show that this component of the Millennium Development Goals will not be met. This calls for urgent global leadership from businesses such as Veolia operating in this sector.

Waste
Veolia’s role in the waste industry should lead it to pioneer innovative ways of reducing GHG emissions through landfill gas recovery and incineration gas recovery and improved landfill practices, together with state of the art waste to energy systems and anaerobic digestion. The company should also seek to lead in waste minimisation, recycling and re-use and in the diffusion of these mature technologies into developing countries.

The Challenge of Development
Deprived communities in developing countries will be faced with some dramatic changes over the next decades. Veolia’s position in these countries, and particularly its exposure to regions experiencing very rapid urbanisation, will provide opportunities for Veolia to play an active role in contributing to social and economic development and will need to adapt its business model for developing countries and contribute to global awareness raising, behavioural changes and development of innovative solutions. A key area of focus will be the long-term adaptation of client communities to climate change and to the formulation of disaster risk reduction strategies. “Doing business with the poor” will be an important growth area for Veolia.

Regulation
Veolia’s strong presence in the European Union means that it is close to the heart of an organization that, in many ways, is setting environmental standards for the world. These are the standards increasingly accepted in developing countries and hugely influential in the standards being prepared in the US. The company therefore needs to play a proper part in influencing the EU regulatory framework to ensure that its targets are as challenging as possible while its requirements are cost effective and unprescriptive. In engaging actively in this process of public standard setting, Veolia must ensure that it subscribes to the highest standards of transparency.

Technology Opportunities
The market for efficiency innovations is substantial and Veolia should have a clear strategy for ensuring that it makes the most of this potential in particular it should be at the forefront of finding and investing in simple, ways to help the consumer reduce their water and energy use and their production of waste. By adopting a long-term, cross-sectoral vision, integrating environmental and social concerns and involving all stakeholders in business activities, Veolia will be in a position to further lead by example, create a strong corporate identity and anticipate regulation and societal expectations.

We believe Veolia has the expertise and the vision to play a major role in tackling some of the world’s great challenges.
Strategy
In a market led by urban growth and increasingly strict environmental requirements, consolidation of our world leadership depends on our capability to propose innovative and responsible solutions for the sustainable management of cities.
Anticipating and adapting

The growth of large urban areas is a major phenomenon typical of the modern world. More than half of the world’s population is already living in cities and this trend will continue. It makes the response in terms of economic efficiency of the city, social balance, sanitation, environmental challenges and ecological footprint more complex.

Urban growth is placing increasing pressure on limited natural resources. The requires a sustainable development strategy for cities – now one of the most robust realities of the actual implementation of sustainable development. It requires a global vision that takes into account the interactions between urban management aspects previously considered as distinct realities. The increasing awareness of climate change is accelerating this process, because energy needs related to housing, transportation and waste disposal are major causes of the production of greenhouse gases. A significant percentage of these sectors is related to urban planning and management choices.

With the significant exceptions of Russia and part of Eastern Europe, urban growth is a worldwide phenomenon and is advancing at a rate inversely proportional to the level of development.
Veolia Environnement is a preferred partner of leaders of large urban districts for inventing and applying sustainable solutions for the management of modern cities, for the following reasons:

- more than 150 years experience of managing urban public services. As a result, we have optimized technical, social and environmental management, but more importantly we have accompanied the infrastructure construction process and helped define frameworks for the regulation of major public services (water, sanitation, waste management, public transportation, energy management);
- a strategic vision integrating these various activities into a single business of providing services to the environment for more than 10 years now, which identify technical, contractual and commercial convergences. In particular, this approach has enabled us to anticipate the multi-dimensional aspects of climate change and evaluate carbon savings, enabling us to give appropriate solutions;
- a worldwide experience in 68 countries across all continents, with an extremely broad range of economic, social, environmental and climatic conditions. This obliges us to continuously change our models and this adaptation, then, enriches our level of knowledge and our ability to innovate;
- a contractual model based on long-term partnership, rooted in locality and based on a clearly defined balance of responsibilities between the private manager and the public and political authority. Consequently, it shares major characteristics with the concept of sustainable development.

The development of the Group is based on our ability to convince our future clients of our competence in managing environmental services better than they can.

This model is based on our economic performance and our environmental expertise. But it also requires an ability to control the social transformation that accompanies outsourcing in a peaceful manner. Finally, it requires an ability to ensure that local populations accept our actions in the short and long term.

With this specific model and its four basic pillars (economic, environmental, social and societal), we have been able to naturally integrate sustainable development into the heart of our strategy. We believe that our performance in this field is an essential element of our commercial credibility, our ability to set ourselves aside from our competitors with less expertise, and more generally in creating value.

A more urbanized world with a greater awareness of the need to control environmental damage related to urban and industrial activities is favourable to the development of our services. Quantitative needs for environmental services are increasing, and technical and organizational difficulties are strengthening the need for expertise and experience.
The assets of a diversified worldwide presence

Environmentally, the developed world appeared to be governed by a logic of quality and increasing control over the level of risks, due to its magnitude, the challenge of climate change is emphasizing the need for efficient environmental investments.

For Veolia Environnement, this provides an opportunity to benefit further from the diversity of its presence throughout the world, and particularly its strong involvement in the emerging and developing world.

The Group has experienced fast international growth over the past fifteen years. In 2007, its activity in France accounted for 44% of its total turnover. Three large developed countries alone (the United Kingdom, Germany and the United States), in which the Group earns more than €2 billion in revenue, represent 44% of the international turnover.

Even so, Veolia Environnement’s involvement in the emerging and developing world increased in 2007. Almost 27% of its workforce now works in Asia and the Pacific, Eastern and Central Europe, Latin America, Africa and the Middle East. The Group employs nearly 90,000 employees in these areas.

Aftering the revenue figures to take account of purchasing power parity (PPP) gives a better idea of the Group’s industrial realities. When this approach is used, the relative weight of emerging zones, namely Eastern and Central Europe, Asia, Latin America and Africa from which 13% of revenue are earned, is doubled.

<table>
<thead>
<tr>
<th>Figures in M€</th>
<th>Revenue</th>
<th>Revenue corrected for PPP</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>New entrants to the EU</td>
<td>2,133</td>
<td>3,622</td>
<td>1.7</td>
</tr>
<tr>
<td>Asia</td>
<td>961</td>
<td>2,506</td>
<td>2.6</td>
</tr>
<tr>
<td>Latin America</td>
<td>569</td>
<td>752</td>
<td>1.3</td>
</tr>
<tr>
<td>Africa</td>
<td>745</td>
<td>1,676</td>
<td>2.3</td>
</tr>
<tr>
<td>Total</td>
<td>4,408</td>
<td>8,436</td>
<td>1.9</td>
</tr>
<tr>
<td>% total Revenue</td>
<td>13%</td>
<td>25%</td>
<td></td>
</tr>
</tbody>
</table>

This diversified presence makes our Group into a vector for distributing know-how and technologies to the emerging world. It enables us to identify good practice on sites anywhere in the world, including in developing areas (e.g. Latin America with the Rapid Transit Bus) or remote areas (e.g. Australia with “re-use”) and to extend its application.

In 2007, 44% of the Group’s total revenue were earned in France. The remainder was derived from 67 other countries. However, 80% of international revenue were developed in 14 countries, in which Veolia’s activity is worth more than €300 million. 44% of international revenue are earned in the United Kingdom, Germany and the United States.

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Sustainable performance requires important efforts to adapt and innovate.

We need to anticipate and prepare to change our standard contracts. This will, in the future, provide a basis for our work and remuneration to make them more dependent on achieving targets on quality and resource efficiency. Additionally, it will provide the fine tuning of means to suit needs, rather than simple supply of large volumes of products or basic services.

These changes have already been partially implemented, but cannot be under our responsibility alone. The forms of our remuneration, and more generally the conditions under which we will supply services, are governed by regulations that depend on public authorities. The required changes necessitate not only a consensual approach with our clients, but also an understanding and acceptance by the served populations.

Methodology

The use of revenue adjusted using the purchasing power parity method compensates for differences in prices found for similar services in different markets. Thus it represents, more accurately, the breakdown of the Group’s industrial realities in the different countries in which it is located. Revenue corrected for purchasing power parity are calculated using the World Bank’s 2006 ratios, except in specific cases.
Responsibilities granted to private operators in developed countries have been increasingly broken down into segments and contract durations have been shortened over the last two decades, due to competition law. Nevertheless, in the developing world, it is generally accepted that the need to develop basic and essential services justifies longer contract duration and broader managerial responsibilities.

Achieving sustainable urban development objectives requires more consistent models and better-targeted responsibilities employed over the long term.

At the present time, the obligation to manage climate change is creating a new challenge for efficiency and performance in the developed world. The objective is to propose in-depth changes to urban services, with the aim of achieving the reductions in GHG emissions identified by the Kyoto protocol. In all our activities, we believe that the basis for a solution lies in a public-private partnership. This is based on close public control over a responsible private manager paid partly on quality and service improvement objectives.

The need for a global and sustainable approach goes beyond the framework of each of our operational activities. Mobilization of urban districts, in terms of sustainable development, is significantly dominated by the will to reduce GHG emissions. It has become necessary to offer tools to local governments for them to objectively choose between the various possible actions.

The common carbon saving mechanism makes it possible to design technical-financial tools adapted to the characteristics of each region, so as to prioritize decisions with an impact on GHG emissions in different sectors of municipal management (transportation, heating and cooling networks, energy management of public buildings, public lighting, waste treatment, etc.), on the basis of an objective approach towards their financial cost/ ecological benefit ratio.

Our own responsibility consists in:

- emphasizing what we believe could contradict sustainable development objectives in the management of environmental services. Thus, traditional remuneration for the provision of water based on volumes supplied must change to incorporate the objective to reduce water consumption, without disturbing the economic balance of an activity for which costs are very largely fixed;
- highlighting the best organizational frameworks that we see in our international experience. For example, in the United Kingdom, an operator is made responsible for managing waste flows produced by a region, and for making changes to the system by significantly developing recycling and energy recovery. In the long term, such integrated contracts will enable increased responsibility and efficiency, unequalled elsewhere in the European Union.

<table>
<thead>
<tr>
<th>Contract</th>
<th>Recycling ratio 2008-2009</th>
<th>Recycling objective fixed by the local authority 2011-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nottinghamshire</td>
<td>37.8%</td>
<td>45%</td>
</tr>
<tr>
<td>Shropshire</td>
<td>37.9%</td>
<td>53.4%</td>
</tr>
<tr>
<td>Southwark</td>
<td>18.5%</td>
<td>34.8%</td>
</tr>
</tbody>
</table>

- recommending research on the breakdown of responsibilities between delegating authorities and operators. In the field of urban transportation, integrated management of the different segments and the implementation of genuine inter-modal means have become an entirely separate business distinguished from the simple management of transportation means. Its increasing complexity justifies the organising public authority in delegating this work to a specialised private manager. We are experimenting with new responsibilities based on this logic in contracts in the Netherlands and the United States.

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In the short term, internal transfers can help to maintain local jobs. In the medium term, social efficiency is largely based on training and promotion efforts for local supervisors. Veolia has carried out its internationalization process in line with its policy for the development of its activities, making only very moderate use of expatriation. At the end of 2007, the Group only employed 710 expatriates.

This experience of social transformation is essential to the success of delegation of public services. Confidence shown by the public decision-makers in the appointed organization’s ability to implement informed and peaceful social management increases confidence in the choice of better economic efficiency and environmental expertise.

Veolia Environnement enjoys an important competitive advantage over its competitors, because it has been putting these social transformation processes into practice for more than 150 years. This knowledge how is broadly based on management experience, and is very difficult for newcomers to acquire.

The development of Veolia Environnement meets particular needs with regards to social transformation, particularly in terms of its organizational development.

The challenge is to perform a major social transformation of the organizations that we are asked to manage. These are generally public and administrative organizations, and we need to lead them and their personnel into the world of private enterprise.

Integration of existing personnel (positions, remuneration, social advantages, training, capitalization of know how and transfer of skills) involves progress at all levels of the activity. A new enterprise project based on Veolia Environnement’s values must be produced taking into account the existing situation.

Under some circumstances, the complexity of this change can be strengthened by poor historic productivity. This must be corrected to achieve economic objectives, while controlling the risk of traumatic social changes.

The Group’s international development depends on integration and training of local labor. By 2015, 75% of Veolia Environnement’s total workforce should be international.
Integrating sustainable development into the business model

The economic model for water services has been built up based on a virtuous circle by which increases in volumes sold facilitated the development of access to water, improvements to sanitation parameters, financing of the pipe systems maintenance, the protection of resources and depreciation of infrastructure costs.

This virtuous circle did lead to a high service quality, but now needs to be adapted to include new constraints. The need to reduce consumption, to limit pressure on local resources actually leads to a reduction in unit consumption, causes changes to the economic balance of the activity. Therefore, Veolia Water is orienting its action such that remuneration for the water service is based more on an evaluation of the service quality, rather than volumes consumed.

The water service also needs to address more social concerns than it did in the past, since they were usually managed by external philanthropic organizations; for example, application of the “right to water”, assistance to vulnerable customers. New solutions are being developed to balance the water service, whilst providing solutions to the needs of all users, including those with the greatest needs.

Introducing new solutions

Veolia Environnement calls upon a very wide range of environmental expertise and diverse international experience to make use of a long history of practicing its business. This helps save resources and reduce impacts on the environment.

Veolia Water

Improving the water management model in a context of reducing volumes and with a view towards protection and diversification of resources.

From management of the water service to resource conservation

Preservation of the resource, health and safety, service continuity and adaptation of prices to meet social objectives are all qualitative criteria that represent an increasing percentage of remuneration for the water service. This is why Veolia Water is developing a range of services beyond its traditional activity of producing and distributing drinking water and providing sanitation.

These new uses and services could form the basis for new remuneration structures to balance costs and to make the interest of public authorities, consumers and operators more aligned.

New resources

Veolia Water satisfies the problems of qualitative and quantitative pressures on the water resource by extending its sphere of influence from the “small water cycle” to the “large water cycle” through several types of approaches:

- actions towards resource conservation and the fight against pollution;
- increased awareness of new usages;
- promotion of alternative resources.

Efforts can also be made to reduce waste and improve recycling of treated wastewater for certain uses (e.g. industrial, agricultural or recreational). Recycling provides a means of maximizing the use of water before releasing it into nature.

Desalination of seawater is possible in regions close to the coast, where fresh water resources are insufficient. Veolia Water is developing high performance technological solutions in this field to reduce energy consumption, costs, and the environmental impact.

78 million people supplied with water service by Veolia Water

54 million people supplied with wastewater service by Veolia Water
Rethinking the place of water in cities

In order for water management to enable access to water or for protection of water resources, a large number of bodies knowledge and roles need to be organized in a complementary manner. Veolia Water is working towards improving the efficiency of its service by strengthening its communication with civil society in emerging countries. Public-private partnerships may be complemented by partnerships with local associations and organizations, so as to implement development and environmental protection actions.

A new development model is now changing. This will only be possible if a number of changes are made outside the company, particularly in the regulations that control the role and scope of maneuver of the operator.
Veolia Environmental Services

Waste is a marvelous deposit of resources, renewable energy, alternative energy and secondary raw materials. Its management represents both an economic opportunity and a social and environmental obligation.

Despite efforts made to reduce waste generated, waste produced throughout the world is increasing since it is dependent on economic growth and changes to consumption habits. The increasing scarcity of raw materials and increases in their costs are causing an increasing demand for secondary raw materials that encourages their valorisation.

Finally, climate change and the need to limit impacts on natural environments result in an increasing need for control over polluting emissions and recovery of available energy in non-recycled waste.

Prioritizing waste treatment methods

Veolia Environmental services organizes management of waste assigned to it by defining an order of priority for treatment methods. These methods include: limitation of waste production at the source, reuse, recycling and recovery of materials, and finally recovery of energy and elimination. The objective is to reduce the percentage of waste landfilled or incinerated without any energy recovery.

Quantitative and qualitative prevention

Veolia Environmental services advises its industrial clients on how to reduce quantities of waste produced and the dangerousness posed by each type of waste. In 2007, recovered waste quantities decreased and tonnes of recycled waste increased significantly, in the context of Veolia Environmental Services’ industrial activity. The company organizes awareness raising aimed at the general public, to reduce waste and encourage sorting and recycling.

Recycling and recovery

Veolia Environmental Services considers all forms of waste recovery to be a priority (material, agricultural and energy). Increasing quantities of treated and recycled waste is a permanent objective, both in traditional forms (paper, cardboard, plastic, and metal) and new activities (such as waste electrical and electronic equipment (WEEE)). Recycling is expanding (+35% recycled materials in 2007), particularly in the paper / cardboard (+39%), and metal (+20%) activities. Veolia Environmental Services is now recycling 14% of all waste that it receives (at the exit from the installation).

The increase in recycling ratios is based on continuous improvement of treatment processes, and the creation of new long-term industries. Thus, recovery of biomass derived from municipal and industrial waste is now used for manufacturing biomaterials and bioproducts used in the chemicals, automobile, packaging and construction sectors. Veolia Environmental Services is thus becoming a player at the heart of industrial ecology models.

Recovering the energy from waste

Recovery of energy from waste is the next step after prevention, recovery of materials and recycling. It provides a means of saving fossil fuel and limiting emissions of CHG. Veolia Environmental Services generates heat and electricity from the combustion of waste that cannot be recovered otherwise, or from the recovery of landfill gas.

Biomass that contains materials originating from forestry activities or agriculture, and the organic fraction of industrial and municipal waste, may also be transformed into combustible materials to produce heat, electricity or fuels. Used food fats can also be recovered or transformed into biodiesel. Common waste (wood, paper, plastics) can be transformed into solid recovered fuel (SRF).

Promoting integrated waste management

Waste flow treatment can be optimized when it is managed globally and is integrated over a region or a residential basin. Veolia Environmental Services use this type of approach when possible depending on the institutional organization and the regulations, as is the case in the United Kingdom.

Protecting natural spaces

Rehabilitating soils and sites

Veolia Environmental Services also applies its expertise to depollution and rehabilitation of sites. Decontamination of soils becomes necessary when industrial activities or accidental pollution have degraded their quality. It can be implemented through technical processes adapted to each situation (biological treatment, extraction, ventilation, spinkling, pumping, thermal desorption, etc.).

Soils depleted by over-production can also be enriched by organic materials using improvements produced from agronomic recovery of biomass derived from waste.

Treating hazardous waste

The company is developing innovative systems for the treatment of hazardous waste that require the use of state-of-the-art technologies. These systems provide a means for limiting the impact of significantly polluting waste on natural environments. The quantity of hazardous waste treated by Veolia Environmental Services increased by 12.1% in 2007. The treatment of hazardous waste from households is also developing encouragingly.

The desire to reduce waste production is unfortunately not being realised in today’s world. However, waste can become a resource now that raw materials and energy are becoming rare. Proven techniques are available to change from an ecological elimination logic towards a material or energy recovery logic. Regulations and taxation can be used to direct flows between different methods with genuine efficiency. The most difficult part is to reach a consensus about a reasoned, balanced and integrated vision of treatment methods between the stakeholders. On this basis, integrated management of waste flows produced by a given region, then enables fast and effective implementation of sustainable treatment solutions.

Veolia Energie-Dalkia

The range of Veolia Energy-Dalkia’s services is changing within a context marked by the increasing importance of renewable energy and energy and carbon saving targets. The activity of Veolia Energy-Dalkia lies at the core of three main challenges, firstly the growing urbanization and the industrialization that accompanies it, secondly the price increase and the growing scarcity of fossil fuels and thirdly the climate change.

Veolia Energy-Dalkia is an integrator of energy solutions. Its business is to provide the energy necessary to its clients in an optimized manner, while reducing their final consumption and limiting the accompanying GHG emissions.

This business consists of reducing global energy consumption while minimizing the proportion supplied by fossil energy. Therefore, Veolia Energy-Dalkia adjusts several factors: namely modifying the behavior of users, optimizing management of their needs, achieving modernization by making efficient use of technical equipment, and finally using renewable energy whenever possible. The combination of these factors will achieve improvements in energy efficiency so that, depending on the country, Veolia Energy-Dalkia can earn Energy Saving Certificates (ESC) or green certificates, and optimise management of CO2 quotas on the corresponding markets.

In this context, the company is taking steps to modify the structure of its contracts to base its remuneration on the energy saved, rather than on the energy consumed. It also attempts to define offers that incentivise the search for carbon efficiency. This objective to “optimize” energy in cities is organised into four major activities.

Development of heating and cooling networks

Heating and cooling networks reduce the impact of heating and air conditioning on the environment. They are powerful means of integrating renewable or alternative energy in cities, especially through the use of boilers using biomass or heat recovery from municipal waste and industrial waste incineration plants. These facilities are governed by very severe emission standards and emissions of CO2 and other pollutants are lower than in a large number of individual facilities.

Integrated building management

Veolia Energy-Dalkia optimises energy use in all types of buildings, (homes, offices, hospitals, public facilities, shopping centers), with the prospect of a factor of 4 by the year 2020. Solutions proposed to reduce consumptions and the emissions of GHGs include boilers, heat pumps, ventilation, intelligent control systems, renewable energy and cogeneration. As a global competitor, Veolia Energy-Dalkia guarantees results to its clients, through long-term contracts.

Optimization of energy consumptions on industrial sites

Veolia Energy-Dalkia partners its industrial clients in efforts to manage their energy bill and to reduce GHG emissions by working on all industrial utilities (steam, hot water, chilled water, compressed air, electricity, industrial gases). As in buildings, its action are based on two services: namely the design of technical improvements leading to improved energy efficiency, and optimized operation of sites within the framework of performance contracts. For example, Veolia Energy-Dalkia implements solutions integrating renewable energy or recovery of lost heat.

Public lighting

Public lighting, on average, accounts for almost half of the electrical consumption of city councils, and is also a source of GHG emissions. Veolia Energy-Dalkia optimizes urban lighting by means of simple technological solutions (remote management of light points) through its subsidiary Citelum, and contributes to transforming a traditional town into a sustainable town (reduction of light pollution, reduction of electricity consumption, etc.).

Veolia Energy-Dalkia is developing complementary activities such as electrical facilities with Clemessy, and climatic engineering with Crystal.

14.5 million residents heated by Veolia Energy-Dalkia

87,375 MW thermal power managed by Veolia Energy-Dalkia
The rapid increase of energy demand in the developing world, the growing scarcity of hydrocarbons and the requirements for responding to climate change are all major challenges for the energy sector. Energy consumption projections in the IEA reference scenario are inconsistent with a reduction of GHG emissions.

While there are still serious economic and technological obstacles to carbon storage and the massive development of renewable energy, the search for restraint and energy efficiency is one immediately available method that combines economic benefit and ecological virtue.

The value of the energy flow, further increased by mechanisms for carbon recovery created or inspired by the Kyoto protocol, provides a means for developing a new industry to optimize energy and carbon efficiency.
Veolia Transport

Urban growth and climate change are exacerbating the enormous challenges to which public transportation must provide solutions. Urban congestion and the increase in travel requirements make it necessary to improve efficiency and ease of mobility.

Accessible transportation for everyone provides an important lever for social cohesion and is a factor conducive to development. A substantial movement from private cars to public transportation contributes to reducing GHGs and improving air quality. Finally, public transportation contributes to the development of more ideal densities in an urban environment.

From transportation operator to global mobility manager

Veolia Transportation's services are adapting to take these problems into account; Veolia Transportation is changing from a passenger transportation operator to a global mobility manager. By broadening its core business to meet new objectives, Veolia Transportation proposes new services contributing to finding a solution to the increasing economic, social and environmental challenges related to urban mobility and the need for alternatives to road for the transportation of passengers and goods.

Reorganizing responsibilities and contract models

This new role as global mobility manager implies a redefinition of activity, scope and objectives, in cooperation with organising authorities and other transportation operators. Veolia Transportation has the technical expertise and detailed knowledge of passenger needs and an investment capability such that it can propose innovative contractual solutions on the model of public-private partnerships. These enable optimization of public investments to meet long-term needs, fixing of quality objectives in terms of usage or environmental performance to be achieved by the operator, and Veolia Transportation accepting a percentage of investments to be made for the development of new infrastructures.

Embedding environmental efficiency

Veolia Transportation’s proposals include eco-efficient calculations that are useful to town councils to improve their understanding of their environmental footprint and to define the best urban development options for transportation, to encourage the development of integrated transit systems with low CO2 emissions.

Developing inter-modal solutions

Improving networks and transportation hubs and organising the best fit between transportation modes are essential elements to provide fluid and efficient journeys for passengers. Veolia Transportation participates in the development of inter-modal transportation by offering complementary travel modes that provide the missing link between private cars and traditional public transportation (car sharing, collective taxis, shuttle buses, self-service bicycles).

The public transportation sector tackles sustainable development challenges, through its contribution to economic efficiency, social balance in regions and its impact on atmospheric pollution and world emissions of GHGs. Needs will grow exponentially in future decades, particularly in emerging areas without modern urban transit systems.
Developing new transportation offers
The objective of global transportation management is to transfer the maximum number of passengers to public transportation; the use of public transportation should become as easy, flexible and efficient as the use of a private car.

Customizing public transportation
The business of Veolia Transportation includes a new technological dimension to control mobility within a region and to allow individuals, continuous personal access to information. The supply of real time displays, individual information through SMS and routing computers, makes it easy for each passenger to create and optimize their route. Innovations may also be organizational; to meet the needs of everyone and to increase the use of public transportation networks, detailed analysis has been carried out on demand, leading to the creation of new timetables and improved frequencies.

Developing individual shared ride offers
Shared ride meets particular needs; it is not always possible to set up a regular transportation line in less dense areas. Veolia Transportation has developed transportation on demand (TOD) in remote urban and rural regions, or to facilitate travel for disabled persons. Shuttle services for airports, buses, shared taxis, are all possible solutions for making better connections and showing regions at their best.

Proposing alternatives to road freight transportation
Railway and river freight transportation modes are now under-used, although with their environmental efficiency, they should be able to offer a viable alternative to road freight. Veolia Transportation is developing rail and sea freight transportation through the activity of Veolia Cargo.

2.5 billion trips done with Veolia Transportation
1.75 billion kilometres travelled with Veolia Transportation
Building the sustainable city

Adaptation of management frameworks

Achieving maximum efficiency in all our activities involves the definition of global management frameworks that make an operator responsible for management of a flow and enable:

- the manager to take responsibility for quality and performance objectives;
- elimination of conflicts of interest between producers and distributors (essential when considering economy of resources);
- control of long-term changes to infrastructures;
- simplification of control applied by the public authority.

The exercise of competition involves:

- setting up periodic competition, intrinsic to the delegated management model;
- appropriate segmenting of territories;
- subcontracting of some activity segments while maintaining global consistency of the contract.

Updating remuneration methods

Under different conditions, each of our activities requires a progressive change to its economic logic:

- for water, the percentage of the remuneration related to the quality of service and saving of resources must increase, to compensate for a reduction in the remuneration for volumes distributed;
- for environmental services, the percentage of income related to landfilling must decrease, and be compensated for by an increase for treatment methods to recover the material or energy;
- for energy management, combating climate change requires an increase in remuneration related to energy and carbon efficiency;
- for public transportation, the virtuous aspect of high volumes which avoids more disruptive and polluting means of transportation, does not eliminate the need for fine tuning of means (financing, urban land occupancy, energy) to transportation needs.
Sustainable urban planning

The objective is to compare investment costs, management costs and the environmental and climatic impact of measures to be taken, based on:
- characteristics of each region in terms of economic and natural resources, infrastructures and town planning;
- improvement objectives defined by the public authority.

At the moment, innovative technical-financial instruments may be defined based on measurements of carbon savings achieved. This enables a comparison between actions planned in a wide variety of sectors such as transportation, housing, waste treatment, lighting, city planning, social housing, etc.

In the future, a more ambitious approach will be necessary in order to change from carbon saving to measurements of the global ecological footprint (taking account of biodiversity and local social, economic and cultural aspects).

Adaptation of the contract model in emerging countries

Creation or modernisation of essential services in these built-up areas requires research and particular adaptation to take account of:
- the frequently enormous size of these built-up areas and their rate of change, that corresponds largely to future urban growth;
- special difficulties in creating an economic balance that requires optimized matching of means to needs, both for investments and operation;
- whenever possible, reconciling traditional economic and social realities with modern and secure management methods;
- definition of regulation mechanisms setting down principles of sustainable governance and increased responsibility of persons or companies causing pollution or using resources.
The scale to be used for sustainable development is the urban district. Although the metabolism of cities has been completely transformed, technologies used in environmental services at the present time are based on the scientific heritage from the end of the 19th – beginning of the 20th century. The existing approach needs rethinking to create and deploy different technological solutions, by sharing knowledge on common areas and participating in European and international research programs. Our research has initiated complete programs for the recovery of energy resources, raw materials, water resources, management of urban areas and optimisation of information systems, combining technical expertise and understanding of human organizations that are currently undergoing a thorough transformation.

Due to strong synergies between our activities and a continuously increasing budget (+45% since 2003), R&D satisfies the ambitions of the Group and is closely involved in the major changes of the 21st century. Veolia Environnement’s research objectives for the 2008-2010 period have been fixed with the four divisions. Projects have been divided into four main categories with different timescales and programs depending on their duration and their relevance.

All these programs are defined in close cooperation with our clients and help to optimise existing processes and invent new solutions both in terms of industrial research and in improvement of proposed essential services.

Creating tomorrow’s solutions
Although drinking water is still a basic theme for research, other priority areas are the treatment and recovery of waste, energy and the reduction in GHGs. Intensive work is being done on the development of renewable and alternative energy sources, in parallel to the search for solutions to optimise energy efficiency and save fossil fuels, and to provide efficient and easy to understand transportation services.

Veolia Environnement relies upon its research and development (R&D) to improve its range of services and to perfect technologies used within its facilities every day.

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118 M€ for the 2007 budget
+ 45% since 2003

/ R&D BUDGET BREAKDOWN BY PROGRAM
From research to innovation

The group’s R&D approach is aimed at operational implementation of innovative and concrete solutions, crucial for the Group’s competitiveness. The teams at the three research centers and the international units are working towards this end, in close cooperation with the technical managements of the four divisions. About a hundred supervisors validate and improve the reliability of tomorrow’s technologies.

See Veolia’s R&D organization on www.sustainable-development.veolia.com

Managing the impacts of industrial processes

The ongoing improvement to technologies used in the water, energy, environmental services and transportation fields is essential for us to adapt our services to be able to meet new requirements for quality, access and respect for the environment. In addition to this progress approach, Veolia Environnement’s R&D is developing methodologies for measuring the environmental impact of the different processes and innovations developed, using life cycle analyses (LCA) to identify areas for improvement.

Recovery of metals contained in industrial waste

The use of zinc and nickel by industry has harmful consequences on the environment and the economy: releases into the natural environment, reduction of resources leading particularly to economic tension and fast increases in metal prices. This situation forces manufacturers to pay high prices to buy the metals that they need. This is paradoxical when we know that a large quantity of metals contained in their own waste are not recovered, due to the lack of techniques for extracting them. To overcome this, Veolia Environnement’s research teams are working in partnership with the University of Metz to develop a technology for recovering metals contained in industrial waste so that they can be reused. A pre-industrial plant was built on the Cedilor site, a subsidiary of Sarp Industries to validate the technology and improve its reliability, and for which three patents were lodged in 2004. This innovation opens up the way to recovery of many other metals. Already, the Group’s research teams are working on specific treatment and recovery technologies for each type of waste. At the moment, Veolia Environnement recovers 600 tonnes of metal waste per year.

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800 experts, including 400 research workers and 400 developers

>100 research supervisors

3 research centers in France and extensions in other countries
Approach
Sustainable development is a source of opportunity and inspiration for our business. Across the entire company, it provides a challenge of responsibility and consistency, and must be applied by a coherent global governance system based on firm measures.
Embedding our governance

Effective long-term governance requires a committed approach and aims to anticipate risks and opportunities and integrate the major risks faced by the company in its internal control.

Evaluation of good governance standards

<table>
<thead>
<tr>
<th>Good governance standards</th>
<th>Situation on March 15, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presence of at least 50% of independent directors on the board and on committees (Finance and Audit Committee, Remuneration and Compensation Committee, Strategic Research, Innovation, and Sustainable Development Committee)</td>
<td>11/14: 3/3: 3/3: 3/3</td>
</tr>
<tr>
<td><strong>Definition of independence adopted by the internal regulations of the board of directors</strong></td>
<td>yes**</td>
</tr>
<tr>
<td>Average duration of a director's mandate of four years</td>
<td>six years (half renewed every three years, last done in 2006)</td>
</tr>
<tr>
<td>Auditor - director meetings without the presence of management</td>
<td>yes</td>
</tr>
<tr>
<td>Number of meetings and average attendance at board meetings and committee meetings</td>
<td></td>
</tr>
<tr>
<td>Annual evaluation of the operation of board meetings and committee meetings</td>
<td>yes***</td>
</tr>
<tr>
<td>Formal evaluation of operation of the board once every three years</td>
<td>yes***</td>
</tr>
<tr>
<td>Percentage of votes cast in the General Assembly by shareholders present, represented or voting by proxy at the General Assembly in 2007 (wherever apart from resolutions to the President)</td>
<td>85.60%</td>
</tr>
<tr>
<td>Participation ratio (quorum) at the last general assembly (AGM)</td>
<td>61.13%</td>
</tr>
<tr>
<td>Number of resolutions related to the company's social responsibility (CSR) proposed and voted in the General Assembly in 2007</td>
<td>none</td>
</tr>
<tr>
<td>Number of persons who raised questions related to CSR in 2007</td>
<td>Three out of twelve questions</td>
</tr>
<tr>
<td>Remuneration of the company representative (CEO)</td>
<td>€2,574,300 Euros</td>
</tr>
<tr>
<td>Criteria for determining and fixing remuneration of the CEO and his main directors</td>
<td>See chapter 15 in the 2007 annual report and disclosure</td>
</tr>
<tr>
<td>Number of share purchase options awarded to the CEO and the two largest assignments in 2007</td>
<td>113,003</td>
</tr>
<tr>
<td>two largest awards</td>
<td>385,000</td>
</tr>
</tbody>
</table>

* In the company's knowledge, based on declarations of directors and excluding legal waivers.
** To address in a formal evaluation every three years, the board of directors must include an item on the agenda to evaluate and debate its operation once a year.
*** A full external evaluation was held in 2007.
As a company with a board of directors quoted on the Paris and New York stock exchanges, Veolia Environnement is governed by obligations set down by the 2003 Financial Security law and the Sarbanes-Oxley law for governance of the company and for internal control.

The Group initiated a process to certify the effectiveness of internal control on December 31, 2006, to meet the requirements of these regulations. This certification was renewed in 2007.

**Risk mapping**

In continuation of work done to evaluate internal control, a map of the major risks affecting the Group was drawn up in 2006 based on about 150 internal interviews with supervisors. The risk evaluation was carried out at the Group level and reproduced in each division. This enabled an analysis of the gross risk, the residual risk and existing control levels. Based on this map, a steering group was set up to ensure continuous improvement in risk management. Risk committees are organised regularly (four meetings in 2007) under the chairmanship of the Veolia Environnement Chief Executive Officer, to initiate implementation of globally coordinated risk management strategies. “Risk controllers” have been made responsible for drawing up and deploying action plans for each identified principal risk, in coordination with risk managers of Veolia Environnement divisions. The Group’s assurance and internal audit programs have also been restructured to include major risks.

**Awareness of ethics and sustainable development**

14 awareness seminars were organised for more than 400 Group executives between October 2004 and December 2005, around the “Ethics, Commitment and Responsibility Program”. Veolia Environnement is continuing action in this area by creating and deploying a training program for several thousand Group executives from 2007 onwards, respecting competition law.

Veolia Environnement has defined its sustainable development commitments in its Charter, updated in 2006 (http://www.sustainable-development.veolia.com/en/).

We use a global system (see pages 30-31) to ensure that we respect our obligations and take account of challenges at all stages in their development, from latency to institutionalization.

**FOCUS**

**Minimum standards**

Veolia Environnement made the decision to set minimum worldwide environmental and social standards for itself in 2006. Work groups met during the year 2007 to begin the implementation of this approach that should be fully operational by 2011.

These standards must provide a basis for the company’s environmental and social responsibilities applicable throughout the world, independently of the state of local regulations. Environmentally, the first objective is to identify the industrial products and processes for which a quality standard should be produced. This can then be developed into a precise specification dealing with the main quality aspects of the final product and control of environmental and health impacts.

These standards will define environmental standards below which Veolia Environnement will refuse to act, taking account of its leadership in its markets. Socially, standards will be defined based on an identification of the main aspects of the company’s responsibility towards its employees. One or several symbolic, significant, measurable and realistic measures will be set for each employee, taking account of the diversity of Veolia Environnement’s economic and social base in the world. Each will be based on a specification describing conditions of implementation in the different geographic areas and countries in which the Group is present.
Sustainable development is at the heart of Veolia Environnement’s culture, business and strategy. The management of sustainable development is directly attached to the Chief Executive Officer. The sustainable development department was created in 2003 and it coordinates environmental and social performance and works with divisions.

### Functional management rely on the Group’s four divisions to carry out

<table>
<thead>
<tr>
<th>Sustainable Development</th>
<th>LATENCY</th>
<th>EMERGENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mobilization limited to research worker communities, initiation of debates by NGOs (e.g. nanotechnologies, biotechnologies)</strong>.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Institut Veolia Environnement (IVE)

**Mission**
- To anticipate economic, environmental and social trends and challenges during the next decades, to foster the Group’s long-term vision.
- To be a platform for exchanges and communication between different players.

**Key partners**
- Foresight Committee, composed of six internationally recognized members, that meets twice a year to guide and validate projects.
- Network of academic experts with which the IVE carries out foresight studies in the disciplines represented.

**Areas of Research**
Economic aspects of the environment, relations between health / environment, climate change and lifestyles, the challenges of urban growth, society and the environment.

**Tools**
- Foresight studies program to consider areas of interest in greater detail and to broaden the experts network.
- International conferences and seminars so that work can be done in the context of a permanent communication with the academic environment and civil society.
- Initiation of innovative projects (Facts® and Sapiens®) to record experience and scientific know-how for use in later projects.

2007 activities included new studies on the ecological footprint and on health, pollution of indoor air, and other subjects, widening of the network to make it international, and the 2050 climate conference in Montreal.

**Sustainable Development Visiting Committee**
This Committee was created in 2006 and its objective is to help Veolia Environment in making progress with its views and its research on sustainable development.

### Spreading a forward looking culture

**Risk management group**
This department was created in 2004 and its mission is global and coordinated management of all types of risks that could affect the Group:
- Anticipate, analyze and weigh risks, by permanent monitoring (mapping).
- Ensure that identified risks are actually taken into account and at the appropriate level.
- Check existing risk control systems.
- Inform all stakeholders about global risk management procedure.

**Research management**
See page 24.

**Health management**
Created in 2001.
- To monitor and anticipate new health safety challenges for the protection of employees and public using our services.
- Training of employees on health issues and making the public aware of environmental health.

**Ethics Committee**
The Ethics Committee was created in 2004 and is independent of Veolia Environnement’s hierarchy.

**Composition**
The three members were chosen for their knowledge of the Group and their career situation, to guarantee independence and the experience necessary for their role.

**Mission**
- To present recommendations about fundamental values® of the company to the Group’s Executive Committee.
- To ensure that the “Ethics, Commitment and Responsibility Program” is respected, particularly through a whistleblowing system®.
- To perform ethics audits at all the Group’s sites.

**Europe services**
Veolia Environment has a permanent office in Brussels, close by the European institutions.

**Campus Veolia Environment**

**Mission**
- To develop the skills of the company’s employees.
- To promote environmental services and to accompany the Group’s growth in partnership with major training and recruitment players.
Environmental management systems
- Tool for implementing the Group’s policy in the field of the environment and environmental health. Deployed since 2002, and adapted to the requirements of international standards (ISO 14001, Global Reporting Initiative).
- Objectives are to manage and reduce the impact of the Group’s activities on the environment and health, through environmental performance management.

Annual environmental reporting
- Monitoring of about a hundred indicators since 2001 using the environmental information system (EIS), production of action plans
- Methodology principles formally defined in the “measurement and reporting protocol for environmental indicators” implemented in operations representing 75% of the Group’s turnover.
- Environmental audits: 1,200 priority facilities audited since 2001.

Annual social reporting
- Measurement of the Group’s social performance through 160 social indicators deployed in 68 countries.
- Takes account of the specific social nature of each monitored business.
- Network of 600 correspondents in divisions to collect and consolidate data.

Annual client reporting
- Measurement of satisfaction of our individual customers based on changes to 10 synthesized indicators.
- Takes account of the specific social nature of each monitored business.
- Network of 600 correspondents in divisions to collect and consolidate data.

Requested extra-financial rating
An extra-financial rating exercise has been organised on part of our geographic coverage and all of our activities since 2004. See “Performance” section.

Committees, inspection and monitoring bodies for internal procedures
- Nominations and Compensation Committee provides proposals to the Board of Directors about nominations and renewal of directors’ contracts, payment for social representatives and independence of directors.
- Accounts and Audit Committee examines the relevance of accounting methods and gives its opinion on accounts, examines the internal audit program and is informed about internal control.
- Strategic Research, Innovation and Sustainable Development Committee evaluates R&D policies within the Group’s strategy.

Legal management
- Analysis of texts and jurisprudence in terms of delegation of public services, government and private contracts, public-private partnerships, for each division.
- Legal monitoring in several domains, to have a complementary analysis and/or a Group position on a particular subject identified by the Reading Committee, recently created in 2007.
- Conformity of the Group’s activities with regulations and the company’s good practice.

Systems: internal control and audits
- Internal Control Department: formal definition and implementation of internal control processes. This function was created in 2004 within the financial services management, and has been broken down into divisions and operational units.
- Internal Audit Department: procedures to evaluate risk management, control and corporate governance processes, and to contribute to improving them.
- Evaluation of internal control, in application of the requirements of the 2002 Sarbanes-Oxley Act.
- Six-monthly anti-fraud reporting initiated since 2005, for the attention of internal audit managers and internal control managers.
- The management was certified by the French Institute for Audit and Internal Control in 2006 and confirmed in 2007.
Moving forward with our stakeholders

Veolia Environnement’s growth is based on a decentralised operating model with a strong local involvement. We have the responsibility to set up relations of trust and dialogue with each of our stakeholders at all levels, and to include their expectations and contributions in the implementation of our sustainable development strategy.

Shareholders: informing the financial community

Veolia Environnement meets the expectations of its shareholders and investors through its impecunious corporate governance, demonstration of the relevance of development priorities and appropriate risk management – all levers of value creation.

Apart from meetings with institutional investors and financial analysts, our various company publications provide a means of meeting the financial community’s transparency and explanatory requirements: letters to shareholders, the Annual Report, Reference Document, annual Sustainable Development Report and Social Report.

All financial information is also available on the financial page of the Veolia Internet site (www.veolia-finance.com).

Suppliers: developing responsible procurement

Integrating sustainable development tools into purchasing procedures contributes to limiting risks with regard to suppliers, safety and working conditions of subcontractors, protection of the environment and ethics, all of which vary from one country to another.

Integrating sustainable development in the purchasing process

Tools have been developed to include sustainable development in all steps of the purchasing process. They are formally defined in the Group’s Purchasing Charter. Since 2004, 233 buyers with 22 different nationalities have been trained on purchasing (about 80% of purchasers have been trained).

INTEGRATION OF SUSTAINABLE DEVELOPMENT INTO THE PROCUREMENT PROCESS

- Suppliers’ Charter
- Sustainable development questionnaire
- Give the buyer a first view of the sustainable development of the supplier
- Make the strategy of our suppliers consistent with Veolia Environnement’s sustainable development commitments

- Sustainable development commitment
- art. 6 in outline contracts
- Oblige our suppliers to make a commitment to contribute to Veolia Environnement’s sustainable development objectives, both in their activity and in their supply chain.

- Evaluation of suppliers
- Sustainable development audit
- Guide contract relationship
- Check that sustainable development commitments made by suppliers are put into practice
- Identify risks and fix areas of progress for sustainable development.
Two complementary support items were developed in 2007 to guarantee good project governance: a behavior code for working groups on procurement to evaluate suppliers and assess the quality of products and services purchased; and a Supplier Charter that defines the conditions of a responsible client-supplier relationship and summarises the Group’s commitments towards sustainable development.

Furthermore, Veolia Environnement is carrying out an active supplier evaluation policy, particularly on safety and environmental aspects. 575 outline agreements with regional suppliers, namely half of all on-line supplier agreements, were evaluated in 2007.

Apart from tools developed at Group level, each division deploys its own approaches to manage the selection of products and the relationship with supplier or subcontractor. For example, Veolia Environmental Services insists that its suppliers sign an agreement against illegal labor.

Sustainable development audits

Since 2004, Veolia Environnement has carried out sustainable development audits of its suppliers, giving them means of measuring their performance and comparing it with the Group’s expectations in this field.

In 2007, the Group’s purchasing management carried out an audit of a highlighted supplier of batteries shared by all divisions. This resulted in a progress plan being set up related to improvements to safety, the formal definition of a human resources policy and integration of sustainable development in steering its own suppliers.

Sustainable development has also been integrated into the contracts of Veolia Water France suppliers, in the same way as the quality and technical aspects of products, safety of people and equipment, and commercial positioning of proposals. This approach was initiated in 2006 and continued in 2007.

About forty sustainable development audits of strategic suppliers have been made by Veolia Water in France (around eight European countries), and consulted suppliers answered 381 questions on economic, social and environmental subjects.

Improvement areas and action plans were suggested for the year 2010. This approach has been deployed in France, and is currently being deployed internationally.

A sustainable development section is also included in audits on the Veolia Environmental Services site, already deployed at 40 suppliers.

Good purchasing practices are disseminated through a specific Internet site on procurement accessible throughout the world: 1,337 agreements were referenced at the end of 2007 and they are being referred to more and more frequently (3,545 users). Consolidation of procurement teams in different countries (the United States, United Kingdom, and Germany) and broad outline agreements also contribute to consolidating the procurement network internationally.

Social progress: approach towards suppliers and subcontractors in Africa

Since 2006, Veolia Water AMI (Africa - Middle East - India) has carried out a policy aimed at integrating social responsibility criteria in the selection of, and relationships with its suppliers and subcontractors. The objective is to ensure that they respect international rules and laws concerning labor, particularly for labor intensive activities, such as maintenance of water networks, urban electrification and sanitation.

In 2006, companies included in the investigation represented more than 80% of purchases in Morocco and in Gabon. After studying and analysing the data, Veolia Water AMI issued accreditation certificates to companies that were considered to comply with the requirements. In 2007, the approach was extended to Niger and audits were carried out in Morocco and Gabon. The results obtained were formally defined through a purchasing charter defining requirements applicable to suppliers in terms of sustainable development. This charter is required by the contract and it must be agreed upon by suppliers who are invited to participate in any new call for bids, and by suppliers with revenue of more than 100 k€ or belonging to risky procurement categories.
Clients: raising awareness of responsible consumption

The protection of the environment requires the involvement of the general public. The Group puts great emphasis on raising customer awareness on the impact of their consumption. Increasing public awareness can have a direct bearing on the environment through encouraging customers to adapt their behavior in favor of sustainable development and responsible consumption.

Veolia Environnement has thus committed itself towards a procedure to meet the eighth principle of the Global Compact that encourages “taking initiatives towards more sustainable environmental practices”.

The Group supports an increasing number of educational programmes to encourage eco-citizenship, particularly on the following four areas:

• steps to increase the awareness of children about protection of the environment;
• campaigns towards reasonable use of water and energy savings;
• promotion of the use of public transportation;
• incentives to reduce and recycle waste.

Traffic changes the waste sorting habits of its residents with the help of Veolia Environmental Services

Since 2005, in the United Kingdom, Veolia Environmental Services has been working alongside the metropolitan district of Trafford (Greater Manchester) on a campaign to raise citizens’ awareness of the need to recycle waste. Advertising and outreach door-to-door campaigns have been organized: over 40,000 households have been contacted so far.

Following this campaign, Trafford recorded a considerable increase in waste recycling: from 10% in 2005 to 20% in 2007. This is one of the largest increases ever recorded in an urban area according to the Department for Environment, Food and Rural Affairs (DEFRA).

Such initiatives are frequent in the UK thanks to the favorable context of integrated waste management contracts.

Recycling rate achieved by VES

Recycling rate objective set by the local authority

/ TRENDS IN THE RECYCLING RATE IN TRAFFORD SINCE THE SETTING-UP OF PUBLIC-PRIVATE PARTNERSHIPS IN PUBLIC SERVICES IN 2004
Civil society: listening to residents and associations

All Veolia Environnement divisions have initiated a communication with civil society at the local level, so that the Group’s activities and services can be adapted to match the expectations of local residents and to reduce perceived nuisance due to its activities. This is particularly true for the construction or renovation of networks that create nuisance, but that are designed to eventually improve the efficiency of the service.

For example, Veolia Transport uses its “proxi quality” approach, with the objective of initiating a communication on a local transportation project by organizing a public meeting between public transportation users and local residents. Discussion groups can continuously improve the operation of a public transportation line or network, as is the case in Nancy, France.

Since 2006, Veolia Water has been setting up panels of water tasters. Agents working at the Greater Toulouse Agency in Toulouse, France, participate in these panels and fill in a questionnaire about their perception of the taste and the odor of the water. In 2007, the company broadened this approach and involved consumers directly. A sample group of fifty residents was set up, distributed uniformly throughout the breakdown network.

Veolia Water AMI organized a debate in Niamey (Niger) in October 2007, attended by about forty NGOs and cooperative organizations with the aim of presenting its activities in Africa to them, particularly its programs dealing with the Millennium Development Goals. The communication clarified the roles and responsibilities of the different people involved in water, explained the plans and missions of the company and SEEN (its Nigerian subsidiary), and identified common work areas. The discussion was strengthened by site visits. Participants congratulated the Group on this initiative and confirmed their intention to continue the communication and cooperation.

Supporting local sustainable development projects

Since it was created in May 2004, the Veolia Environnement Foundation has supported more than 600 sustainable development projects with an annual budget of €5 million. Each project is sponsored by a person working in the Group.

In 2007, 183 selected projects were set up in new countries due to the support of sponsors originating from Veolia Environnement local subsidiaries. These included the professional integration of employees from the Romany people and the combat against sexual exploitation and trade in young girls in India.


FOCUS

Rating requested by Veolia Foundation

BMJ Ratings has evaluated the efficiency of the Foundation’s management method and its performances with regard to internationally recognized standards of good practice for foundations. An A++ rating was assigned. Good performance of the Foundation has been emphasized including rigorous selection of projects, ensuring that all fields of action are consistent with the Group’s strategy, sound management of resources and quality of information distributed by its institutional documents.
The Group uses consultation and communication, mainly in
the European Union and with international institutions, to
provide material for reflection on environmental policy.

**Participation in consultations for EU green papers**

Due to the importance of the EU market for Veolia
Environnement, a permanent representation with European
institutions has been set up in Brussels. The Group monitors
changes to the legislation and European regulation related to
its activities and participates in preliminary research on the
environment.

Thus, Veolia Environmental Services has made its detailed con-
tribution to European institutions working on production of a
framework directive on waste, inspired by field experience.
Veolia Transport participated in the ongoing call for information
about “sustainable urban mobility”, for which an action plan
must be produced before the end of 2008. Veolia Energy-Dalkia
and Veolia Environmental Services are working on proposals
related to policies on climate change and energy of the EU.

The Group is also participating in research on problems related
to sustainable development in the urban context: for example
adaptation to climate change, market instruments:

It is directly involved with strategic questions on which its
legitimacy is related to its expertise. It is also involved with
professional federations, think-tanks and some NGOs.

**Combating climate change**

The Group actively monitors changes to regulations and inter-
national negotiations (the Kyoto protocol, CDM, JI) to antici-
piate how its activity sectors might be involved in matters
related to climate change and reduction of GHG emissions.

Concerning the European Union’s Emission Trading Scheme,
the sites concerned are mostly Veolia Energy-Dalkia’s combus-
tion facilities with a capacity of more than 20 megawatts.
Quotas assigned to it represent 1% of European quotas. These
are managed in the framework of a special purpose structure,
VEETRA (Veolia Environnement Emission Trading) that uses a
precise measurement of real emissions resulting from the
operation of sites, to optimise cost effectiveness and identify
new financing capacities for GHG emission reduction projects.
VEETRA also works for other Group divisions.

Veolia Transport favors extending the CO2 permit trading sys-
tem to emissions related to companies’ activities (mainly
freight and potentially employees home-office commuting).
This requirement should first be applied to companies already
subject to the EU Emission Trading Scheme.

Furthermore, Veolia Environnement teams are monitoring
Commission proposals on mechanisms for reducing GHG emis-
sions in sectors not subject to the ETS to integrate them into
their projects, including targeted incentives (climate plans) and
domestic projects (in France) that can give the rights to emis-
sion credits.

**Energy performance and renewable energy**

**Energy saving certificates**

In France, Veolia Energy-Dalkia participated in the development
of the energy saving certificates (CEE) system, with the objective
of including the energy performance contract into the CEE
system and earn certificates.
Energy recovery from waste
Veolia Environmental Services is defending different forms of energy recovery from waste (capture and recovery of biogas from landfill, incineration with energy recovery, methanisation, production of biofuels and alternative fuels) with European authorities.

Electricity produced by cogeneration
Cogeneration is expanding in all European countries. The general economic balance of cogeneration contracts in France has been modified due to new less favourable tax arrangements. Veolia Energy-Dalkia is working with the industry to correct this situation, after the economic and environmental advantage of cogeneration was recognized by the European Parliament Directive 2004/8/CE.

FOCUS

International partnerships
In 2007, the Group continued its cooperation with international organizations to provide its expertise to help achieve Millennium Development Goals (MDGs). Four priority steps were taken:
• the commitment towards the “access to essential services for everyone” initiative controlled by UN-Habitat. The expert committee of which Veolia Environnement is a member was appointed to produce functional means for better controlling the practice of public - private partnerships in the field of housing;
• support of the UN Global Compact Foundation responsible for implementing the principles of the Compact, with particular recognition of Veolia’s actions in the fight against climate change at the Geneva conference in July 2007;
• support for centralised cooperation, particularly in Asia where Veolia Environnement is participating in a panel of experts on urban pipe system management methods organised by the Asian Development Bank since December 2007. The Group is also contributing to the creation of a databank on decontamination techniques and practices, with the association of Asian cities (CoNet);
• strengthening local skills through a long-term partnership with UNITAR (United Nations Institute for Training and Research) in which Veolia Environnement supported geographic implementation of the ITCLA (International Training Centers for Local Authorities). This helps local decision makers to improve the quality of their urban services. In 2007, our experts worked on twelve sessions that brought together almost 400 elected members and local managers, on the theme of sustainable city planning.
Veolia Environnement’s contribution to the “Environnement Grenelle” round table process, in France

The French government launched the “Environnement Grenelle” in July 2007, and provided an opportunity for discussions and debates between the Government and representatives of civil society, to define a road map towards sustainable development.

Veolia Environnement actively contributed to the debates in this framework of working groups organised by the France Enterprises Movement (MEDEF) and professional federations. The Group’s strong experience in France and in other countries provided a set of specific proposals that were made available to stakeholders on the internet and that can be viewed at: http://www.sustainable-development.veolia.com/en/.

The proposals formulated by the Group’s divisions are in the following areas:

• encourage saving of water resources and preservation of natural environments,
• use waste as a resource,
• manage energy demand and encourage renewable energy and decentralised generation,
• set up a sustainable mobility policy.

Access to sanitation

Lack of sanitation is considered to be a genuine “sanitary time-bomb”, and this is why the international community has declared the year 2008 to be the international sanitation year. Access to sanitation has been recognised as a human right since 2002, and has become a subject of concern for nations in the same way as access to drinking water. Veolia Water has made a priority of it in its lobbying actions.

Focus

Veolia Water is actively involved in monitoring the implementation of measures recommended by the Water Framework Directive, and particularly their consequences, if any, on the cost for the consumer of public drinking water and wastewater services.

Patagonia, Argentina

Access to essential services

Price of services

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• use waste as a resource,
• manage energy demand and encourage renewable energy and decentralised generation,
• set up a sustainable mobility policy.
Climate 2050: technological and political solutions

Climate 2050, the 4th conference of the Veolia Environnement Institute organised with the Pew Center on Global Climate Change and the National Round Table on the Economy and the Environment, met in Montreal in October 2007 with almost 400 participants from twelve countries. The objective was to encourage multidisciplinary and inter-sectoral discussions to improve understanding of strategies to reduce GHG emissions by the year 2050 and to create links between the scientific community, the private sector and public authorities. The debates identified the technological challenges; innovative measures and needs for public policies, through sessions concentrating on eight key sectors such as transportation, biofuels and the capture and storage of CO2, and cross-discipline sessions. This event reiterated the call for the involvement of everyone concerned and all countries in combating climate change, in preparation for the Bali conference (www.institut.veolia.org).

It works within the AquaFed federation and participates on homogenisation of definitions, to create an international basis for discussion, so that challenges related to sanitation can be better understood and taken into account.

Service continuity
Veolia Water is also lobbying European institutions to get them to recognise that the breakdown of drinking water and sanitation are priority challenges, regardless of climatic conditions.

Resource conservation

Water shortage and drought
Veolia Water is participating in European research on adaptation to climate change, and is emphasizing that strain on water resources is a local phenomenon.

The company is favorable to the development of alternative resources (recycling of treated wastewater, groundwater recharge, control and recycling of stormwater, seawater desalination), while promoting judicious demand management measures.

Preservation of soil
The Group supports the European Framework Directive for the protection of soil, in the same way as the Directives on water and air and for which Framework Directives have already been produced.

Veolia Environmental Services is also organizing communication with public authorities on the protection and remediation of soils. A conference on this subject was organized in the French Senate in November 2007.
Identifying and managing our risks

Risk management is based on principles of anticipation, information, coordination and management. The map of risks in terms of sustainable development provides our stakeholders with transparent information about the degree of commitment and suitability of Veolia Environnement on all subjects.

Furthermore, mapping enables permanent monitoring of changes to risks in a context of pressure from regulations and the demand for more information by our stakeholders. Sustainable development challenges facing Veolia Environnement can be considered as risks or opportunities, but in both cases they change dynamically. These challenges apply to deep-seated trends, among which there are external sources that are imposed on our business such as scarcity of resources, and population and urban growth, and internal structural challenges that are specific to growth and internationalisation of Veolia Environnement on all subjects.

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* Nanotechnologies, biotechnologies, information technologies and cognitive sciences
** Production of energy, where it is sold, derived from a remote power station
In order to organize our approach and define our challenges more precisely, we have decided to combine the internal risk mapping approach and the external approach of our sustainable development rating by BMJ Ratings. This first presentation will be studied in more detail and a detailed map of challenges affecting the Group and each of its divisions will be produced in 2008, in coordination with the risk management department.
Challenges
We communicate our vision on our most important challenges and we make a commitment to research and taking action that combines realism and responsibility, to better meet the expectations of our stakeholders.
The objective is to use verified methodologies to demonstrate a continuous improvement in the ratio between reductions in emissions achieved by our management and the emissions for which we accept responsibility.

In this context, our carbon strategy can be broken down into three areas.

- Accompanying innovation: Veolia Environnement invests in low CO2 emission technologies - biomass, solar energy, recovery of byproduct energy. Research is also being undertaken on carbon storage in order to determine appropriate sites, increase the reliability of techniques and verify economic relevance. Although this solution is promising, it will only be viable in the medium or long term.

- Promoting renewable and alternative energy for decentralized systems; these energy “decarbonize” the energy mix. However, for technical and economic reasons they are not a complete substitute for fossil fuels.

- Rationalizing the use of energy to reduce waste by improving energy efficiency. All urban and industrial activities have significant potential for greater savings and efficiency. Techniques are available for controlling consumption. The high cost of energy and fuel recovery makes most energy efficiency investments economically attractive. This is the mainstay of our business.

Veolia Environnement is highly concerned by two aspects of climate change and the need to reduce GHG emissions.

- Three of our activities (energy services, public transportation, waste treatment), are critical emitters of carbon dioxide and methane. The water sector is less directly involved in GHG emissions, but is very much affected by the effects of global warming on the availability of water resources.

- Our clients, managers of our cities and companies, are the parties most closely involved in the drive to reduce GHG emissions, either through the responsibilities that they hold or as a result of constraints set by regulations.

Thus, the management of GHG emissions is, for Veolia Environnement, a responsibility in some cases a constraint (facilities are subject to quotas in the European Union) and, more often an opportunity to develop expert services for the benefit of our clients.

However, our business model has two unusual features:

- Veolia Environnement cannot reduce its absolute GHG emissions without sacrificing business growth. Each new contract we win to manage municipal or industrial facilities brings a significant increase in emissions under our responsibility.

- Thus, unlike many other stakeholders, growth of our emissions must be perceived as being a positive, to the extent that it enables us to broaden the scope of our energy efficiency and carbon services, which if all other things being equal, contribute to a global reduction of GHG emissions.

Thus, our carbon performance is based on the demonstration of this energy and carbon efficiency model, to which all of our activities can contribute.

Veolia Environnement emits greenhouse gas (GHG) through management of its activities on behalf of its clients, but it also contributes to the fight against climate change through our efforts to make a global reduction of GHG.

Combating climate change

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The carbon efficiency ratio was 58% in 2007, compared with 53% in 2006.
In 2007, the Group emitted 42.8 million metric tons of CO₂ eq., an increase of 8% compared with 2006, while the revenue increased by 14%. N₂O emissions (waste incineration) are included for the first time, together with CO₂ emissions from SNCM ships (France).

**Methodology**

For each of its activities, the Group measures on the one hand direct emissions from managed processes, vehicles, facilities or equipment and on the other hand indirect emissions due to electricity consumption.

The greenhouse gases concerned are:

- CO₂ emitted by combustion installations, incineration of the fossil part of waste and fuel combustion by mobile sources;
- CH₄ contained in landfill gas that are not captured by installed collection systems and combustion of NG (natural gas for vehicles) of mobile sources;
- N₂O originating from the waste combustion process.

**Méthodologie**

The Group contributes to a global reduction in GHG by reducing its own emissions and by avoiding third party emissions. The scope of the contribution of Veolia Environnement’s division has changed since last year.

Veolia Water: distinction made in the energy production (originating from renewable energy or recovery of biogas) between on-site consumed energy and sold energy.

Veolia Transport: extension of the perimeter of the “eco-efficient travel” to 92% of Veolia Transport passengers and 79% of kilometers travelled (apart from road and railway freight) and including sea transportation.

Veolia Environmental Services: accounting for reductions in emissions generated by the capture of landfills biogas and by on-site consumption of part of the electricity produced due to energy recovery from waste. CO₂ avoided by material recovery was quantified on the following fractions starting from their life cycle analysis: paper / cardboard, plastics, ferrous metals, non-ferrous metals, glass, wood and bottom ashes originating from incineration.

Veolia Environnement’s global reduction of GHG for 2006 was recalculated with a homogeneous basis, the 2006 value being 20.2 million metric tons of CO₂ eq.

In 2007, Veolia Environnement contributed 24.6 million metric tons of CO₂ eq. to the global reduction of GHG emissions.
CO2 storage: a important research and development challenge

Thermal power stations supplying heating and cooling networks managed by the Group, municipal waste incinerators and landfills burning landfill gas are all significant emitters of carbon dioxide. Since 2005, Veolia Environnement has initiated a research program on the capture, transportation, storage and recovery of CO2 produced by these types of medium size industrial facilities.

Acquiring expertise
Carbon storage is expected to reduce GHG emissions around the world by between 20 and 30% by 2050. This aims at providing new solutions to reduce the Group’s GHG emissions, acquiring recognized expertise in this field, and exploring new markets.

In the framework of preliminary studies, potential European sites were identified in 2007 for the construction of a pilot plant that can be used to:
• find capture solutions appropriate for the different types and sizes of facilities belonging to the Group;
• study the different transportation and recovery systems adapted to the geographic spread of our facilities;
• define a framework acceptable to everyone considering the risks and challenges of this solution.

This study was completed in 2008 with the selection of a site in Claye-Souilly in Seine et Marne, France. The pilot capture and storage plant will handle 200,000 metric tons of CO2 per year. The gas will be injected into a saline aquifer at a depth of more than 1,500 meters for several years.
The energy management system comprises four steps represented by the following energy flows:

- choice, purchase and supply of fuel;
- transformation of energy;
- distribution of energy;
- use of energy.

The percentage of the overall reduction of GHG emissions, as a percentage of all Veolia Energy-Dalkia emissions, is calculated by means of a carbon efficiency ratio applied to energy activities. A significant percentage of Veolia Energy-Dalkia’s development takes place in areas such as Eastern and Central Europe in which coal is the most frequently used fuel. This has a negative impact on the carbon content of our energy mix. However, in 2007, the increase in the percentage of renewable and alternative energy used was a remarkable development (for example an increase of 42% for biomass) as a result of the policy adopted by Veolia Energy-Dalkia several years ago, and it largely compensated for this mechanical trend. The carbon efficiency ratio for this year is 21.7%, which is 8% higher than 2006.

**Reducing GHG emissions**

The following actions are taken to reduce GHG emissions (see infographic):

- use of renewable and alternative energy whenever possible (i);
- efficient use of the best production equipment (energy efficiency) (ii) (iii)
- combined production of heat and electricity (cogeneration) (iv)
- reducing energy consumption (public lighting of cities, global management in buildings) (v)

In 2007, primary energy savings generated by Veolia Energy-Dalkia achieved a overall reduction of GHG emissions equal to 4.6 million metric tons of CO2 equivalent.

This was achieved by:

- an increase in renewable and alternative energy in the energy mix (12% in 2007 compared with 9% in 2006, namely a reduction of 1.4 million metric tons of CO2),
- an increase in the percentage of energy services (services after meter) in delivered energy quantities (overall reduction of 0.5 million metric tons of CO2).
Integrating the carbon challenge

Our clients are increasingly interested in the carbon footprint of the services we provide. In this context, Veolia Environmental Services is undertaking work to estimate the GHG emissions of its services and to integrate carbon aspects into our offers.

Reducing GHG in the life cycle of waste

The following activities are currently being undertaken (see infographic).

Collection and transportation (3):
- rationalization of collection operations;
- use of alternative fuels (1,512,000 liters of biodiesel to reduce CO2 by more than 4,000 metric tons);
- development of alternative means of transportation (railway or waterway);
- training in fuel-efficient driving techniques.

Inincineration (4):
- energy recovery derived from the combustion of waste (5) (2,966 GWh of thermal energy and 4,099 GWh of electricity were sold in 2007 for 12.4 million metric tons of waste incinerated);
- recovery of metals and slag.

Biological treatment (6):
- production and use of compost (7) (1 million metric tons of compost produced in 2007);
- energy recovery from methane derived from methanization systems.

Sorting and recycling (8):
- material recovery (9);
- recovery of substitute fuels (waste oil, refuse-derived fuels).

Landfilling (10):
- capture and treatment of landfill gas (10) (449,735 metric tons of methane were captured and treated in 2007), giving a reduction of 9.44 million metric tons of CO2 eq.;
- recovery of landfill gas to produce electricity or thermal energy (11) (162 GWh of thermal energy and 994 GWh of electricity were sold in 2007, originating from 79 sites).

In 2007, Veolia Environmental Services reduced its CO2 emissions by 9.92 million metric tons by capturing landfill gas and by on-site consumption of part of the electricity produced by energy recovery from waste.

Furthermore, recycling of raw materials and the sale of energy recovered from waste (landfills and incinerators) have avoided the use of fossil fuels by third parties; avoided emissions of GHG associated with this consumption were equal to 6.31 million metric tons of CO2 in 2007.

Contribution of Veolia Environmental Services
Experience of Veolia Environmental Services in Kyoto project-based mechanisms

Veolia Environmental Services has been working on "Clean Development Mechanism" (CDM) projects since 2001, before the Kyoto protocol came into force enabling developing countries to reduce their GHG emissions through investments made by developed countries under constraint. Four projects have already been registered with the United Nations and nine other projects are currently in the process of being developed. They consist mainly in the installation of landfill gas collection and treatment systems and possibly of leachates evaporators.

Beyond the positive impact CDM projects have on GHG emissions, they also create a new income from the sale of carbon credits, and can improve the environmental quality of waste treatment infrastructures in developing countries.
The three main strategic approaches developed by Veolia Transport to maximize its contribution to GHG emissions reduction are firstly to increase the use of public transportation (frequency, attractiveness, complementarity of transportation modes, etc.), secondly to improve carbon generation by transportation by precisely adjusting means to meet needs (for example transportation on demand), and thirdly to facilitate the change towards "clean" vehicles.

Prioritizing public transportation

A bus emits an average of between 80 and 90 grams of CO₂ equivalent per person per kilometer travelled, whilst a private car emits twice this amount. In this view, Veolia Transport offers solutions to the responsible authorities to encourage a mode switch from private car to public transportation (for example the use of park and ride car parks).

Reducing GHG emissions...

The following are developed within managed networks:

- reduction of fuel consumption (training in energy efficient driving techniques, driving assistance tools);
- promotion, use or production of biofuels (advice to local communities, use of alternative waste food oil fuels, recovery of biogas derived from landfills and sludge from wastewater treatment plants).

... by measuring travel eco-efficiency

Veolia Transport has developed an "eco-efficient travel" indicator to manage its GHG emissions, estimating the amount of CO₂ avoided by passengers travelling daily within the served regions. This indicator is defined by measuring what the same passengers would have emitted if they were in a private car. In 2006, "eco-efficient travel" was calculated over a restricted scope of urban and inter-urban networks for which the data and average distance travelled per passenger was reliable. This scope was extended in 2007 to cover 92% of Veolia Transport passengers and 79% of kilometers travelled.

Since 2001 several urban freight transportation initiatives have been set up, for example an urban distribution platform (Elcidos) in La Rochelle, with electric vehicles making deliveries to the city center.

Thus, over the scope considered in 2007, Veolia Transport avoided 5.7 million metric tons of CO₂ which is the equivalent of 1.4 times the GHG emissions originating from its activities within the same scope.
Managing the energy intensity of treatments
The activities of Veolia Water do not emit large quantities of GHG directly. However the greater sophistication of necessary treatment due to increased pollution and higher quality standards is tending to increase the amount of energy needed for water treatment. Furthermore, the reduction of energy intensity for alternative techniques such as desalination is crucial in determining the extent to which they are economically and environmentally viable. In this context, Veolia Water is working on two issues:
• energy efficiency optimization of installations (actions on pumping, optimization of pond aeration and energy recovery);
• production of renewable energy (recovery of biogas derived from digestion of sludge, recovery of potential energy from water by microturbining or by a pressure exchange).

Adapting services to climate change
Furthermore, Veolia Water has embarked on the path towards adaptation to climate change and is developing drinking water and wastewater management solutions for use by communities and companies (see infographic).

Encouraging the fight against resource wastage (water, energy, chemical products) and their use:
• increased awareness of efficient use of water (1);
• repair and maintenance of the water network (2).

Adaptation of wastewater management:
• optimizing the use of wastewater collection networks during extreme rain events (3a and 3b) (5);
• anticipation and management of sanitation networks during severe heat waves, particularly in urban environment (smells, corrosion, etc.);

Promotion and development of alternative resources:
• recharge of water tables (7) (8a and 8b);
• recycling of treated wastewater for non-domestic uses and reuse of rain water (6) (9);
• desalination of seawater and brackish water combined with a source of renewable energy (11).

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Preserving biodiversity

Worldwide biological diversity is shrinking at an unprecedented rate. According to the Millennium Ecosystem Assessment, the rate of extinction of species is one thousand times higher that it would be naturally. Faced with this major challenge, Veolia Environnement is developing an approach based on characterizing the impacts of its activities and integrating biodiversity management within its environmental management system.

This challenge applies to all of the Group’s activities.

• Veolia Environnement has adopted a policy of integrating protection of biodiversity on land occupied by its facilities at the project design stage, particularly through its approach towards sustainable urban planning. When the Group takes over existing facilities, it works in cooperation with its municipal or industrial clients to improve their integration within the natural environment.

• Through its activities, Veolia Environnement is making a positive contribution to the protection of biodiversity by reducing the amount of pollution affecting ecosystems and taking into account its secondary impacts (residual pollution contained in our waste, consumption of natural resources) that we need to control and reduce.

Protection of biodiversity is included in the commitments made in the company’s Sustainable Development Charter, that can be viewed at www.sustainable-development.veolia.com.

Characterization of our impacts

Veolia Environnement R&D is continuing to make progress in evaluating its impacts. In addition to classical physicochemical and bacteriological approaches, the Group has now acquired good expertise of tools for evaluating its releases into aquatic environments, its GHG emissions and its products (organic fertilizers and secondary raw materials).

Ecotoxicity tests used for forecasts are complemented by biological tools indicating the condition of the aquatic or land environment. The Group is also working with many university and institutional partners to benefit from the most advanced expertise, particularly in the field of ecosystems modelling, a discipline that enables us to better understand their complexity and to predict changes to them.

Urban biodiversity

The development of cities often leads to intensive occupancy of space that leaves little room for nature. However, these urban environments are not necessarily poor in biodiversity and paradoxically, have even become a refuge for many threatened species appearing in the red list of the International Union for Conservation of Nature (IUCN).

Therefore, an evaluation of the urban biodiversity situation is essential to determine appropriate management. The use of tools such as the “green register”, enables stakeholders concerned with urban development to adapt their strategies (ecological analysis and list of green space occupancy within a region).

Veolia Water UK in the United Kingdom pays special attention to protected species and natural habitats present on its sites. Since 2002, Veolia Water UK has been working on a classification of its sites with regard to the British national system, which enables delimitation of protected zones and appropriate management of natural areas.

Several partnerships have also been initiated between subsidiaries of Veolia Water UK and environmental associations working towards the preservation of biodiversity. For example, the partnership between Three Valleys Water, Friends of Stockers Lake and Middlesex Wildlife Trust has led to the creation of a protected zone at Stockers Lake, to preserve the population of birds living close to this wet environment.
Veolia Environnement is thus interested in the characteristics and functions of urban biodiversity so as to encourage the development of green areas within its sites. Experiments will be carried out on some Veolia Water sites in 2008.

Management of biodiversity in our facilities

Our geographic information system (GIS) references our main facilities’ position relative to areas of ecological interest and already includes more than 1,200 priority facilities. The progressive integration of this tool into our environmental information system (used for environmental reporting and audits) will enable its broader use by operational staff.

Since 2005, Veolia Environnement has been implementing actions aimed at increasing awareness of its managerial grade employees and promoting good practices. The Group deploys a questionnaire to collect quantitative and qualitative information about actions related to biodiversity. The results collected by Veolia Environmental Services from more than 300 sites are useful for evaluating the awareness level of operational staff towards this challenge and for identifying actions that can be shared (for example developing best practices guides).

The Group is developing a methodology for systematically evaluating the impact of its priority facilities on biodiversity. This methodology will integrate local characteristics of the natural environment and methods of development and management of the site so as to enable the definition of an adapted action plan and measurement of results obtained through the definition of performance monitoring indicators. The methodology will gradually be enriched by the results of R&D work currently in progress. The Group will define a deployment scope in 2008, and implementation objectives for 2011.

Importance of biodiversity in our activities

Every species performs a number of functions that are fundamental for a balanced ecosystem. In doing so, nature performs services that are useful for our activities, for example through the ability of ecosystems to clean water or regulate air quality.

Biodiversity thus contributes to facilitating our work (biological treatments of untreated water and wastewater, the use of ponds or grassy strips for their self cleaning capability, etc.), and can enable the use of simpler and less expensive treatment processes (water and energy consumption).

Economic valorization of ecosystem services

The Orée association, the French Institute of Biodiversity (IFB) and Veolia Environnement initiated a workgroup in 2006 entitled “How to integrate biodiversity into business strategies”; this association is composed of about twenty companies, public communities and associations. The objective is to evaluate relationships between business and biodiversity. A guide on economic tools to be implemented in order to benefit from this type of interdependence will be published in 2008. Veolia Environnement has also initiated cooperation with the economic research laboratory of the University of Columbia, New York (CEMATPP) on the subject of economic applications of ecosystem services.

Treatment of effluents by plant means (Organica)

The Hungarian Organica company has been a subsidiary of Veolia Water Solutions & Technologies since 2007, and is specialized in a biological technique to treat domestic wastewater through the use of complex ecosystems.

Organica designs wastewater treatment plants making use of the immersed roots of aquatic plants and a very special type of fauna (earthworms, shellfishes, snails).

More and more small or medium size communities are interested in this technology because these plants are 100% natural and also because of their small ground occupancy (0.3m² per equivalent inhabitant).

Noortalje in Sweden
Saving resources

Natural resources and raw materials are being consumed more and more intensively around the world. The activities of Veolia Environnement are increasingly being integrated into an economy of scarcity; the solutions that we are developing can help to rationalize exploitation of resources or substitute renewable resources, for more sustainable and economically viable management.

Preserving water resources

Rationalizing withdrawal

Efforts to reduce waste can benefit from technical solutions to improve the efficiency of drinking water networks and consumption of water in facilities. Veolia Water applies a continuous improvement approach on these two elements. Awareness-raising and education aimed at consumers encourage the rationalization of use and savings of water in regions in which there is pressure on water resources.

Developing alternative resources

Veolia Water concentrates its efforts on the development of alternative resources so as to limit pressure on water supplies.

Recycling

Recycling (reuse) of wastewater maximizes the use of withdrawn water before it is returned to the natural environment, creating a lever effect between the volume of water withdrawn and the volume of water used. It can be used for industrial purposes (process water, cooling water, etc.) or for rural applications (crop irrigation, irrigation of golf courses, green spaces), or even same domestic uses for which drinking water is not necessary. For example this is the case in Adelaide, Australia, where the Bolivar wastewater treatment plant managed by Veolia Water reprocesses 45,000 cubic meters wastewater per day and irrigates horticultural plantations, to recharge groundwater in winter and supply non-drinking water for domestic purposes in a residential area. Veolia Water thus repurposes 5 million cubic meters per day (namely 20% of the current world market). These reuse solutions require rigorous technical control to avoid any sanitary risk. Psychological and cultural barriers that still limit their use also need to be addressed.

Desalination

97.5% of water reserves on the planet are seawater. Desalination can considerably increase the available water resource and provide a solution in case of drought or shortages. It also reduces dependence on water from other regions by avoiding water imports and transfers over long distances. Veolia Water is developing two major types of processes to desalinate sea water. Thermal desalination is the traditional method, and consists of separating salt from water by evaporation in a distillation system. Distillation artificially reproduces natural phenomena of evaporation and condensation in the form of rain. Desalination by reverse osmosis is more recent and consists of retaining salts, bacteria and particles in membranes and obtaining very pure water. In all cases, Veolia Environnement is working on making continuous improvement to the energy efficiency of the process and management of the saline concentrate to give better control over the environmental impact and production costs. The extension of these techniques to less extreme situations than those from which they originate (rich countries with abundant and inexpensive energy but with severe pressure on water) requires continuous work to lower process costs and particularly their energy intensity.

Groundwater recharge

Groundwater recharge techniques artificially input water to the water table, in order to protect groundwater. They use the ground’s natural functions, namely its filtration and storage capacity. For coastal aquifers, replenishment also prevents penetration of seawater into groundwater and consequently salination of this groundwater. Artificially replenishing water tables makes them more productive and provides a solution to chronic or seasonal deficits and limits imports of water from other procurement basins. As an illustration, the Berlin water service managed by Veolia Water is based largely on the principle of filtration on banks.
Veolia Environmental Services is developing recycling particularly in paper/cardboard and metal industries (+39% and +20% respectively in 2007). The increase in the recycling rates is based on continuous improvement of treatment processes, and the creation and development of new activities. Treated waste quantities are reducing and metric tons of recycled waste are increasing (+35% in 2007, namely 10 million metric tons).

At the same time, Veolia Environmental Services is working with its industrial clients to reduce the quantity of waste produced and therefore the quantity of raw materials used in production processes and their hazardous nature.

Saving raw materials

A significant part of industrial and waste contains useful materials (paper, cardboard, plastic, metals, wood, glass) that can be reused directly in the production process, and consequently have a significant economic value. Veolia Environmental Services is encouraged to develop recycling and recovery activities by an increase in the global demand for recycled materials, related particularly to growth of emerging countries. It thus contributes to reducing exploitation of natural resources.

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FOCUS

Reconciling saving of resources and creation of value

This graph, illustrating the typical situation of an urban heating contract in Central Europe, shows the positive impact obtained on consumptions by a policy of continuous improvement of energy efficiency and thermal insulation at private clients and at manufacturers.

This economical resource management coexists with strong added value due to expansion of the network into new districts and urban renovation, new services and connection of new industrial clients.
Recovering biomass

Biomass includes a large number of materials originating from forestry or farming, and the organic part of industrial and municipal waste flows.

Developing renewable energy sources

Increasing interest is being shown in biomass. After treatment, it can be transformed into fuel to produce heat, cold, and electricity (via biomethanization and cogeneration). Moreover, captured biogas originating from the decomposition of rotting waste can be recovered in the form of energy, so that CH4 emissions can be limited.

Direct recovery of forestry or farm biomass is a strategic priority for the energy sector. It can be used as a fuel by heat production systems, particularly in boilers supplying urban heating networks, in addition to or as a replacement for fossil fuel. The structure of the forestry industry and in particular the development of very short rotation species, are key development themes for Veolia Energy-Dalkia. Furthermore Veolia Environmental Services is designing new biodiesel and biofuel production methods originating from used animal fats and grease from treatment plants.

Recovering green waste

Green waste provides an opportunity for new products that better respect the environment, by developing substitute products with a lower environmental impact. The collection of biomass flows derived from waste, and particularly recovered wood, is continuously increasing. Veolia Environmental Services is developing methods of recovery for the wood industry, grinding and paper works. Furthermore, the recovery of biomass derived from waste provides a means of providing complex biomolecules to chemical industries, thus replacing molecules with mineral or synthetic origin by renewable molecules. Biomaterials (composites, fibers, hemp concrete, linen, etc.) can be used by the automobile, construction and packaging sectors.

Protecting soils: recovery for farming

Use of organic materials derived from waste provides a means of maintaining or improving soil quality. It protects water resources by retention of nitrates and pesticides, and reduces erosion and depletion of soils. Therefore, the addition of enrichment from Veolia Environmental Services composting systems (+24% composted sludge in 2007) which satisfies high quality standards, contributes to enriching the earth with organic materials. Veolia Environnement is developing several systems for the treatment and recovery of sludge produced by treatment plants, the most important being agronomic recovery through spreading and compost.
Contributing to the protection of health and lifestyle

The World Health Organization claims that 25% of preventable diseases are linked to the environment. Urban hygiene and a reduction of diffuse pollutions, contribute to keeping a healthy and balanced environment that protects everyone’s wellbeing. Environmental health is an important aspect of Veolia Environnement’s businesses.

Health in urban areas is a fragile but vital task to maintain the wellbeing of all inhabitants. Factors damaging to health tend to concentrate in modern cities such as an increase to chemical exposure in daily life, infectious agents such as legionella, and degradation of outdoor and indoor air quality. Therefore a sustainable city must be clean and healthy. Veolia Environnement contributes to this through better management of waste, preservation of the quality of drinking water and treated water released into the natural environment, and reduction of nuisances related to transportation and energy distribution infrastructures.

Water quality, from the source to the tap

2.3 billion people suffer from poor water quality; 1.96 million die every year from diarrhoea type diseases mainly related to water. Water quality plays a fundamental role in health, in terms of food but also for hygiene (body, clothes). Therefore supply of drinking water must be maintained at all times and sanitary checks should be carried out (see page 82).

Controlling health risks

Sanitary risks with drinking water are related partly to microbiological risks (bacteria, virus, parasites), and also to chemical risks (arsenic, fluoride, nitrates, etc.). The entire challenge of water control consists of monitoring a large number of different substances continuously (and not just after treatment). Therefore, Veolia Water is implementing approaches conforming with Water Safety Plans, so as to have preventive management of sanitary risks related to upstream water quality affecting the supply. For example, the HACCP (Hazard Analysis Critical Control Point) method provides a means of evaluating sanitary risks on the input side of the water intake, taking account of potential risk factors (plants, farm activities, etc.) as far as the consumer’s tap. This approach is now being deployed on facilities operated by Veolia Water.

Hygiene in hospitals

The hospital concentrates risk factors related to hygiene in a limited and closed space. Water and air quality, cleaning, disinfection and sterilization are all of overriding importance in the effort to maintain a high level of hygiene and to resist acquired infections that affect between 5 and 12% of all people in hospital. Veolia Environnement is now a key player in environmental safety at hospitals and clinics. For example, in Saint Joseph hospital in France, one part of the partnership between Veolia Energy-Dalkia and its client deals with improved health and safety with a plan to fight nosocomial infections (air treatment, cleaning) and a “legionella” prevention program in partnership with the ‘Comité de lutte contre les infections nosocomiales’ (CLIN) (Committee to fight against nosocomial infections) and the operational hygiene unit.
Veolia is involved in implementation of the REACH regulation

REACH, the European regulation on the Registration, Evaluation, Authorization and restrictions of Chemical substances, came into force on June 1st, 2007. This regulation will enable better knowledge of chemicals circulating in the European market and aims to guarantee better protection of health and the environment. Veolia Environnement has initiated an active approach to meet the requirements of this new regulation that involves several of the Group’s divisions. REACH is perceived as being a genuine opportunity to improve the management of chemical products used in our activities, particularly due to new information that will become available. The Group is particularly concerned because it is a producer of materials originating from waste, and is also a user of chemicals (for water treatment, waste treatment, cleaning and disinfection of heating or cooling production systems). REACH will provide a means of replacing the most concerning substances by less harmful alternatives.

Reduction of pollution upstream

In addition to the conventional sanitary monitoring of water, Veolia Water is working to reduce water contamination by organic materials, since organic contamination is a source of bacterial proliferation, and interaction between such bacteria and chlorine can have harmful long-term effects on health. Veolia Water also offers complete analyses of their process to its industrial clients to encourage recycling of water, raw materials and to limit polluting releases.

Veolia’s R&D management is concentrating its efforts particularly on saline industrial effluents that are very widespread and complex to be treated (for example polluted water from landfills).

Sanitation essential for health

Without sanitation, wastewater that is returned directly into the environment pollutes natural aquatic environments and threatens the quality of drinking water produced downstream. Sanitation also provides a means of significantly reducing exposure to some diseases such as diarrheic diseases. The health impact of sanitation also has an effect on the quality of bathing water, for which the economic risks for example for tourism are large.

Reducing atmospheric pollution

Many diseases (cancers, allergies and lung diseases) are directly related to atmospheric pollution.

Contribution of public transportation to urban air quality

Veolia Transport contributes to reducing local pollution in city centers by encouraging the development of public transport systems running on electrical energy and providing vehicles with particle filters or biofuels. In Australia, Veolia Transport is the first company working in this sector to be officially recognized by local Australian authorities as having a high performance ecological policy. Its vehicle maintenance program, designed to improve air quality by reducing emissions from diesel vehicles, received the “Clean Fleet” accreditation in September 2007.

R&D

Towards real time modelling of atmospheric dispersion of pollutants

Incorporating landfills, treatment plants, composting centers and cooling towers emit gas effluents into the atmosphere. Veolia Environnement’s research is developing software to model atmospheric dispersion of pollutants and smells. This tool is currently being developed and will provide a means of modelling dispersion of emissions into the atmosphere in real time, and determining their impacts on the environment, if any. The results will be used to adapt the activities of sites accordingly.
Veolia Environnement ••• Sustainable development report 2007

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Why is the impact of the indoor air quality on health so important at the moment?

Several factors explain this increased awareness. Work on environmental health has demonstrated the importance of the indoor environment on health. Questions such as asbestos have introduced the idea that buildings can be a factor in the health hazard. Finally, the need to improve the energy efficiency of buildings will cause stricter requirements for the management of indoor air.

What are the sources of indoor air contamination, and what are the consequences on health?

The range of effects on health is enormous, varying from allergies to cancer. There can be several types of sources of contamination (chemical, microbiological, radiological, etc.). They depend on the outdoor air quality, the building itself (construction materials, paints, etc.), the content of the building (furniture, electronic equipment) and finally building management (maintenance, ventilation in particular).

Controlling emissions of pollutants from incineration plants

Veolia Environmental Services is working to continuously improve the treatment of exhaust gases from waste incinerators. Since 2005, investments made to apply European standards, particularly demanding in terms of emissions, have considerably reduced the residual health hazard related to emissions from waste incinerators. In 2003, the quantity of pollutants emitted per metric ton of incinerated waste dropped by 15% for SO2, 6% for NO2, 1% for HCl, and remained stable for dust particles.

Preventing the development of legionella

Veolia Enery-Dalkia has implemented a specific methodology with its clients, particularly in hospitals and tertiary sectors, to measure and manage the risk of legionella developing in their facilities.

→ See also "Performance" part in page 82.

Indoor air quality: an emerging challenge

Veolia Energy-Dalkia is assisting its clients in controlling and improving indoor air quality, by operating and maintaining zones with a controlled atmosphere, disinfecting forced air ducts, and performing biological and physicochemical tests for continuous monitoring of air quality. Veolia Energy-Dalkia also has a unit specialized in controlled atmosphere environments used in many industrial sectors and that require a particularly high air quality, such as microelectronics, food processing and pharmaceuticals. The development of high energy efficiency buildings will reinforce the need to test indoor air quality. Veolia Energy-Dalkia is continuing important R&D programs in this field. These concentrate particularly on cleaning and disinfection techniques for air distribution systems, and the definition of health thresholds and air quality indicators based on specific measures.

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INTERVIEW

Christian Cochet, at the Centre scientifique et technique du bâtiment (Building Scientific and Technical Center)

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What solutions can be implemented and what role can Veolia Environnement play in the subject?

Contamination sources must be reduced in the building design phase, with the choice of air management systems appropriate for use. The operation of buildings affects energy efficiency, and is also of overriding importance to assure good renewal of indoor air: this is a challenge at the core of the business of Veolia Energy-Dalkia.
Promoting respect of Human Rights

Access to essential services

These are defined as vital services essential for a dignified and decent life. The UN’s International Covenant on Economic, Social and Cultural Rights (ICESCR) includes collective drinking water and sanitation, waste management and waste disposal, energy distribution and public transportation services in the definition of essential services. Although frequently mentioned in the context of the developing world, the problem of access to these services is also an issue for urban services management in the developed world.

An important presence in emerging countries

Although Veolia Environnement earns most of its revenue in developed countries, its presence in emerging or developing countries measured in terms of industrial and human realities, is very significant. Veolia Environnement has a large economic influence in some of these countries, which reinforces the extent of our company responsibility.

Facilitating financial access to the service

Social support mechanisms must be created in developing countries to meet the needs of the worst off populations.

Solutions for social support

In Africa, Veolia Water AME (Africa, Middle East, India) is developing appropriate solutions for the poorest populations. “Mobile offices”, that are actually buses outfitted as offices, are used to visit associations and inhabitants of under-equipped and remote districts; automatic water fountains, with prepaid fixed fees, are used to reduce waste while allowing access of poor families to water.

Since initial contact in 2002, Moroccan subsidiaries of Veolia Water have connected 198,995 inhabitants to the drinking water network and 66,180 inhabitants to the sanitation network through subsidized connections. A similar policy is implemented in Niger. Finally in March 2008, Veolia Water agreed with the Grameen Bank to create a new company, Grameen - Veolia Water Ltd.
This innovative partnership will enable to provide drinking water to poor rural populations in Bangladesh. At the end of 2008, the first unit should supply 25,000 inhabitants of Gaolmari with drinking water from water fountains, at a price calculated as a function of the financial capability of the community. All profits shall be reinjected into the project to finance its expansion.

Adapting rates
Veolia Environnement does not determine rates for access to services for users of water, energy or transportation; they are fixed by the public authorities within the framework of each contract. But we propose special rate arrangements in cooperation with local authorities and possibly associations, to enable better access of the population to these services.

Thus in Africa, Veolia Water contributed to applying:
• rates adapted to the capability of inhabitants and the type of consumption considered (essential or leisure) to reduce the cost for the poorest;
• free connection to the drinking water networks, or cost spread over up to 7 or 10 years, to determine monthly contributions that inhabitants can afford;
• combination of multiple levels of financial solidarity – between subscribers to the water service (in Morocco), between large cities and isolated centers (in Niger), between developed and emerging countries through international solidarity, for example as in Burkina Faso, in which the difference between the contribution requested from inhabitants and the real cost is paid by the ONEA® and then the World Bank.

In some countries in which climate conditions make heating an essential service, Veolia Energy-Dalkia breaks charges down individually, to enable better control over heating costs that are very important for low-incomes. In Lithuania, the installation of individual meters is financed by a fund for “efficient energy consumption”, subsidized by the World Bank and with up to 100% of the cost (for more than 500 buildings equipped).

Identifying models that take into account traditional local context
In developing countries, our businesses are encouraging informal craft activities that can play an important role in maintaining social and economic balance. The waste management sector with Egyptian zabaleen or pepenadores (ragmen) in Venezuela are very typical of this phenomenon. New modern systems must adapt to these realities, and either eradicate their most unacceptable aspects such as child labor by accompanying it with social and education monitoring, or search for means of conciliation and balance. The simplest tasks can be carried out by traditional means as soon as a framework is set up to guarantee legitimacy and health and safety.

Practices from the South deserve attentive consideration; the Transmilenio in Bogota has demonstrated that financial constraints can lead to the invention of effective and economic solutions that can be perfectly transposed to developed countries. Waste recycling requires large financial support from public authorities in the richer world, whilst it is done spontaneously in the developing countries.
More than 50% of the population does not have access to drinking water nor to decent sanitation facilities.
Limited access to drinking water very poor access to sanitation facilities for more than 40% of the population
Better access to drinking water and sanitation facilities but still less than the world average
Significant improvement in access to drinking water and sanitation equipment (better than the world average in both cases)

Acceptable access to drinking water, but at least 16% of the population does not have access to sanitation facilities
Good access to drinking water, but between 20 and 30% of the population does not have access to sanitation facilities
Very good coverage of drinking water and sanitation equipment
Data not available

Facilitating access to water supply and sanitation

Access to drinking water is only really efficient in terms of development if it is also accompanied by access to sanitation; about a billion people in the world do not have access to drinking water and 2.6 billion do not have access to basic sanitation. In the strict framework of responsibilities granted to it in exercise of public service management throughout the world (1.8% of the world population served with drinking water and sanitation facilities), Veolia Water makes a commitment to actively contribute to achieving the Millennium Development Goals. In emerging countries, Veolia Water pays special attention to improving the quality of drinking water; setting up or restoring service continuity; increasing the number of connections (drinking water supply and sanitation).

**Access to Drinking Water and Sanitation Facilities in Urban Environment as a % of Urban Population**

NIGER
- 1 service concession (affermage) contract
- Drinking water: 0.67 million inhabitants served by connections and water fountains
- Increase in the number of inhabitants served since 2001: + 352,000

ARGENTINA
- 1 concession contract
- Drinking water: 0.51 million inhabitants served
- Sanitation: 0.13 million inhabitants served

ROMANIA
- 2 concession contracts
- Drinking water and sanitation: 1.36 million inhabitants served
- Increase in the number of connections since 2000: + 29,751

GABON
- 1 concession contract
- Drinking water: 0.67 million inhabitants served
- Increase in the number of inhabitants served since 1997: + 55,000

INDIA
- Karnataka performance contract
- Drinking water: about 240,000 inhabitants served
- Increase in the number of meters installed since 2006: + 23,000

MOROCCO
- 3 concession contracts
- Drinking water: 2.04 million inhabitants served
- Sanitation: 2.97 million inhabitants served
- Increase in the number of inhabitants served since 2002: + 203,000

MEXICO
- 1 concession contract
- Drinking water: 0.75 million inhabitants served
- Sanitation: 0.33 million inhabitants served

COLUMBIA
- 3 concession contracts
- Drinking water: 0.48 million inhabitants served
- Sanitation: 0.11 million inhabitants served

CHINA
- 15 contracts
- 4 service concession (affermage) contracts
- 5 concession contracts
- 6 BOTs
- Drinking water: 23.87 million inhabitants served
- Sanitation: 11.5 million inhabitants served

ARMENIA
- 1 service concession (affermage) contract
- Drinking water: 1.5 million inhabitants served
- Sanitation: 0.8 million inhabitants served
We believe that one of the keys to success, in improving urban facilities in large cities throughout the developing world is to successfully balance both the modern and the traditional in an organizational framework that uses rigorous standards in terms of financial and environmental efficiency and social balance.

Adapting and developing availability of our services

The problem of service availability can arise in some developing regions and parts of the population of developed countries. Divisions of Veolia Environnement adapt their services to propose technical solutions and services to the local context or to specific populations.

Thus, in terms of mobility, Veolia Transport is developing its range of services so as to make it more accessible. When it is impossible to set up a regular line for remote geographic areas, or in areas with special access, the company develops transportation on demand services, for example an inter-municipalities transportation on demand service operating in rural or suburban areas in eastern France. These services are particularly appropriate for transportation of the elderly. Services are also developed for the disabled; this is the case in Oakland (United States) where 2,200 people are transported per day. Welcoming disabled customers requires specific training. Campus Veolia, in partnership with Veolia Transport and associations of disabled people, set up a first session in 2007 for training in welcoming and dealing with these customers.

In developed countries, Veolia Water sets up initiatives to maintain access to water services for people in a vulnerable situation; education on usage with underprivileged people, involvement with social services, spreading of payment of bills, contact with consumers in difficulty, and cancelling debt when necessary.

Jerusalem tramway: exercising our responsibility in a difficult context

Veolia Environment operates in 68 countries, and sometimes conducts its activities in very sensitive contexts in which it has social and environmental responsibilities, and special vigilance is necessary. This is the case for the future operation of the Jerusalem tramway. The 13 km long line will pass through the center of Jerusalem and the old city, and will serve built up areas to the north east of the “green line” that has marked the boundary between Jerusalem and the “occupied territories” since 1967. After several years of consensus, in January 2006 the National Palestinian Authority (ANP) opposed the construction project. Veolia’s main responsibility is the operation of the future line now planned for 2010. An enquiry carried out by TNS-Sofres in May 2007 at the request of Veolia Transport shows that 81% of inhabitants in the Shoafat and Beit Hanina areas, where the population is essentially Arab, support the construction of the tramway. People surveyed emphasize its importance in reducing their travel time, allowing them easier access to the center of Jerusalem and encouraging economic development of the area. In our opinion, such elements are important in an area in which the ease of transportation is important. At the same time, Veolia Environment is continuing the process of engaging with local authorities, non-governmental organizations and local associations in a context of transparent and open communication with all stakeholders.
Fundamental social rights

Every employee has fundamental social rights, regardless of their qualification level and the country in which they perform their activity.

Veolia Environnement respects the basic human rights defined by international authorities such as the ILO and OECD. In particular, the Group only accepts contracts if it is sure that it can comply with these rights.

The Group determines whether:
- the remuneration is sufficient for a decent standard of living (see graph);
- there is any social protection (retirement, health);
- basic skills are possessed and enable acquisition of minimum autonomy in one’s work;
- there is no discrimination when hiring or when making promotions within the company;
- work conditions are appropriate (minimum risks of accident, stress, etc.);
- there is an opportunity for stating individual or collective opinions.

In 2007, the Group decided to give itself minimum social standards applicable to all countries in which it operates. The creation of these standards takes account of the nature of our activities and they will be implemented progressively in cooperation with union organizations.

Thus, further work will be done in five major fields involving all stakeholders within the company:
- safety and work conditions
- guarantee of a decent income and minimum social protection;
- employee representation and right of expression;
- non-discrimination and equality of opportunities;
- long-term employment and professional progress.
Assessing our corporate responsibility in Africa and Latin America

Environmental and social rating campaigns carried out at Veolia Environnement’s request in 2007 enabled the Group to have an inventory of conditions under which it exercises responsibility in Africa and in South America. The results of these audits will be used in 2008 as a basis for considering further details of our sustainable development policy in these sensitive areas.

**AFRICA**

Veolia Environnement has mandated Vigeo to measure its degree of managerial commitment on the African continent regarding its main social responsibility objectives that it is obliged to maintain. Three separate audits were carried out in Morocco (Water), Niger (Water) and Egypt (waste management), and they were extended by a documentary analysis and interviews with managers of the Water subsidiary in Gabon. The evaluated entities represent 76% of the workforce and 81% of the revenue of the Group in the Africa-Middle East area.

Specific social and environmental features expose the Group to high risks in these fields. In this context, the “probative” level 3 rating on our 4-level scale corresponds to a reasonable assurance of risk control.

**Advanced** rating for objectives:
- contribution to the development of access to water for the poorest;
- quality of the remuneration and social protection systems for employees;
- safety and continuity of services provided to users.

**Probative** rating for objectives:
- protection of water resources and fight against climate change;
- contribution to economic and social local development;
- prevention of corruption;
- quality of employment management;
- quality of the relation to delegating authorities.

**Initiated** rating for objectives:
- protection of health & safety of employees (deployment of embryonic safety management in a country);
- improvement to social employment conditions for subcontractors (Group programs deployed partially);
- social communication quality (in a country, no commitment observed for emergence of elected representatives of personnel);
- quality of the relation with the client user (heterogeneous maturity of client care systems).

**LATIN AMERICA**

BMJ Ratings has carried out an evaluation of companies in the Proactiva subsidiary present in Latin America. The waste and water businesses were analyzed in Argentina, Brazil, Chile, Colombia, Mexico and Venezuela based on environmental, social and society criteria to identify challenges faced by the Group. The evaluated companies represent 46% of the workforce and revenue for the Latin America area.

Risk mitigation and opportunity maps have been drawn up to rate the performance of actions carried out and the relevance of sustainable development policies adopted.

**Analysis**

BMJ has recognized technical leadership and high quality integrated management of environmental challenges. With comparable degrees of engagement, the different subsidiaries have identified their responsibilities for managing these local impacts in terms of nuisance and pollution. On a continent in which national GDPs are growing at between 4 and 10%, the need for treatment of municipal and industrial waste and problems related to the management of water is rapidly increasing, with consequences that Proactiva’s subsidiaries have anticipated.

Despite the lack of strict regulations and legislation, management methods meeting the highest international standards have been adopted to deal with social and community aspects. Employee safety is defined as a priority objective, and the results achieved are better than the average observed in the sector.

**Recommendations**

Two projects are still to be completed under this favourable context. Firstly the organization of the management processes that are still too informal to guarantee efficiency and advantaged perceived by stakeholders concerned, and secondly the organization of a complete steering and reporting system enabling the transfer of knowledge and good practices.
Recruiting or integrating almost 500,000 talented new employees by 2015 assumes a human resource policy concentrating on several major challenges. In a context in which available talent on the market is rarifying, and our business is facing tougher competition, our first challenge will be to attract, train and keep the best talent in all the socioprofessional categories that form our company’s structure and in all job areas in which we work.

To achieve this, we will need to deploy and reinforce our employer identity by a forceful communication on our jobs, our social policy and our opportunities. We are also carrying out an ambitious professionalizing recruitment policy for all candidates, regardless of their age and their initial training. Thus in 2007, the Veolia Competence operation recruited 6,600 people in France.

The vitality of these approaches in different parts of the world can easily be seen by looking at Veolia Energy - Dalkia’s nursery of international managers working in more than thirty countries, and Veolia Transport’s European recruitment campaign.

For the development of skills and professional progress

We have developed the Campus Veolia Environnement dedicated to training, so as to develop our human resources and give our employees the opportunity to achieve professional and social progress matching their efforts. Recruiting or integrating almost 500,000 talented new employees by 2015 assumes a human resource policy concentrating on several major challenges. In a context in which available talent on the market is rarifying, and our business is facing tougher competition, our first challenge will be to attract, train and keep the best talent in all the socioprofessional categories that form our company’s structure and in all job areas in which we work.

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Campus Veolia is a genuine skills platform, and offers initial work-study contracts and continuous training courses. Three apprentice training centers were opened in France in 2007. They are the first operational bases for regional campuses. Throughout the world, Campus Veolia Environnement already unites a network of twenty campuses in eleven countries (United States, Czech Republic, Morocco, etc.). A large number of academic partnerships between Group subsidiaries and local universities are supporting this ambitious policy at the service of the development of skills.
This commitment contributes to increasing the ratio of internal promotions. This ratio has been increasing regularly since 2005, and was 4.6% in 2007.

Diversity, a development asset
Our cultural, economic and social diversity is our strength. We are firmly established in all regions in which we have branch offices throughout the world, and we would like to further strengthen this asset for our development.

Thus, in 2007, an ambitious work program was launched: “To respect differences and equality of opportunities”, which after a preliminary review, has demonstrated three lines of progress;
• keep disabled workers in jobs and integrate new disabled workers;
• access of women to responsibilities and to certain professions;
• make managing teams more international.

We are making recruiters more aware of the integration of those with disabilities and we are working on the production of transverse tools; this is why we have strengthened our ‘Handicap’ operation.

Fair and equitable remuneration
Our salary policy is attractive, to attract and keep our employees. Its guiding principles include equitable remuneration, reducing disparities, and facilitating access to savings from earnings.

In 2007, this policy resulted in the signature of 1,020 agreements in our different countries of operation.

195,500 employees in twenty-seven countries were also offered the opportunity to benefit from the increase in the Group’s 2007 capital. The percentage of Veolia Environnement’s capital held by employees is now 1.65%, held by 33,000 people, and in eight countries more than in 2006.

Encouraging employee-employer communication
This entire policy, its results and its prospects for the future demonstrate our commitment to social communication. Employee-employer communication is essential to our model and our efforts are helping us to make continuous progress. Thus, there has been a significant increase in the number of collective agreements signed since 2005. There were 16,072 personnel representatives in 2007, which is 12% more than there were in 2005, illustrating the strength of our commitment to employee-employer communication. Another sign of the magnitude of our mobilization is the breakdown of collective agreements by theme, particularly concentrating on remuneration.

FOCUS

Promoting social mobility

We want to reinforce and identify our role in social mobility, with all employees in our company including managerial and non-managerial grades.

The objective is to set up special tools to encourage this strategy. Our employees must be able to benefit from professional progress at all hierarchical levels regardless of their initial level of training, to match their ambitions and their capabilities.
Protecting health and safety at work

Our commitment: to provide better protection for our employees against work safety and health risks throughout the world.

A permanent requirement: safety and health of our employees

The health and safety of our employees has been the subject of increased attention since 2007 to limit the number of accidents that occur annually in our teams, at client sites and on the road.

The Group’s Executive Committee declared the year 2008 as the “World Safety Year for Veolia Environnement”. This commitment will include three main actions:
- strengthen the involvement of managers through a system including targets, performance review and financial incentives;
- define and deploy safety and health standards throughout the Group;
- demonstrate the Executive Committee’s commitment towards these problems through communication to all employees.

• integrate health and safety themes as essential components of our training courses;
• maintain the smooth deployment of this policy to all our entities throughout the world.

Health and safety of our employees is everyone’s responsibility. Veolia’s ambition is now to develop new behaviours and to apply daily the best practice everywhere.

Measuring the exposure of Veolia’s employees

Recommended collective or individual protection measures necessary for safeguarding the health of Group’s employees requires better knowledge about methods of exposure to hazardous elements, that may be chemical, biological (e.g. bioaerosols) or physical (e.g. noise). Veolia Environnement’s Research (Health R&D) is working on characterization of work environments and development of tools for understanding health hazards, in partnership with Veolia Environnement’s environmental analysis center and the Group’s safety departments.

Exposure to bioaerosols

Studies have been initiated for employees working at materials recovery facilities and at wastewater treatment plants. Recommendations on threshold levels that must not be exceeded are still to be more precisely defined. Targeted prevention and protection solutions have been defined.

Exposure of employees in research centers to chemical substances

A computer tool specially adapted to working conditions of employees in Veolia research centers was developed, following an analysis of the different work stations and chemical substances present. This tool provides a valuable working basis for other activities performed in the Group.

Hygiene for Health campaign

In May 2006, Veolia Environnement launched an international Hygiene for Health campaign to increase awareness of its employees about washing hands. This campaign forms part of the Group’s ambition to improve health at work by applying preventive measures, and particularly by the dissemination of good behavior in terms of hygiene. Managers and supervisors responsible for safety and health and for communication were mobilized in operations centers and in head offices. Finally, more than 100,000 employees have been sensitized in our different countries of operation. Deployment of this campaign was followed by many local initiatives, with presentations on the theme of hygiene and stronger initiatives to improve sanitary equipments.

157,611 participants in safety training actions

2,971 bodies dedicated to the study of health and safety problems

BEST PRACTICE
Jiamusi: actions to improve safety at work

Veolia Energy-Dalkia was awarded a contract for operation and development of the Jiamusi heating network in north-eastern China, in May 2007. Apart from the reconditioning of technical infrastructure, one of Veolia Energy – Dalkia’s immediate actions was to set up safety standards for its employees equivalent to those applied in Europe, including widespread use of personal protective equipment (protective goggles, protective masks, safety shoes, etc.), setting up safety devices (barriers, signs, etc.). The increased awareness of employees was reinforced by display panels summarizing instructions and good practices. Safety procedures were formally defined with the organization of safety exercises. Eleven safety training courses (management of industrial accident situations, the use of personal protective equipment) were organized in 2007 and were attended by more than 500 people.

Veolia Environnement does the maximum to reduce the frequency and severity of work accidents

/ VARIATION OF THE FREQUENCY RATIO OF WORK ACCIDENTS BY DIVISION (NUMBER OF ACCIDENTS PER MILLION HOURS WORKED)

/ VARIATION OF THE SEVERITY RATIO OF WORK ACCIDENTS BY DIVISION (NUMBER OF DAYS LOST FOR WORK ACCIDENTS PER THOUSAND HOURS WORKED)

CorporateRegister.com
Performance
Progress is impossible unless we measure what has been done, evaluate what remains to be done, manage performance by making ambitious commitments, produce accurate and complete reports and take into account external views and judgments.
Self-evaluation for progress

BMJ Ratings has upgraded the Veolia Environnement Group’s rating to AA+.

BMJ Ratings

The BMJ Ratings agency has led a rating analysis of our subsidiaries in the four activities in China, Germany, France and Mexico.

The rating tools used are the DEEPP Model® used for the CSR (Corporate Social Responsibility) rating and the GlobalView® rating used to evaluate the contribution of the Group’s global performance (economic and extra-financial) to sustainable development.

The update of the 2007 extra-financial evaluation of the Veolia Environnement Group carried out in 2008 confirms the good results and the previously observed trend of performance improvements in all sustainable development fields.

CSR Rating using the DEEPP Model®

The BMJ Ratings agency has upgraded the Group’s rating to AA+. The “AA” rating indicates strong management of environmental and social issues. The “+” trend expresses the Group’s positive dynamic.

The recognized leadership of Veolia Environnement is reinforced by its position on climate challenge, and through the ambitious approach adopted towards social cohesion.

The internal organization accompanying this strategic ambition clearly identifies the responsibilities engaged and provides an efficient solution to expectations expressed by the Group’s stakeholders.

Although the principles adopted for innovation and information transparency can still be improved, the Group’s vision of its future and its commitments must enable it to improve the efficiency of its sustainable development policy in the short term. Its performance is improving in all fields and particularly in the environmental one and in the area of the relationship between the Group and civil society. These changes are the result of successes particularly in America and Asia and the Pacific, where the Group’s expertise and business ethics are resulting in resounding successes.

BMJ Ratings highlights the evidence of changes to our business model, moving from a purely economic model to one combined with high environmental efficiency.

Integrated rating according to GlobalValue®

The BMJ Ratings agency ameliorates the Global Value Index, which evaluates the Group’s capacity to make a commitment to sustainable development, to create value and improve performance. The Index improved from 1.15 to 1.19: the n indexes are moving in a positive direction and show considerable consistency. The performance is significant in terms of management of activity cycles in all the Group’s divisions.

Veolia Environnement’s rating is determined over a year starting from the 31st of March 2008.

The evaluation does not take account of information about commitments made after this date.

Nanterre, 31/03/2008

Pascal Bello, General Manager
Extra-financial rating provides the means of measuring the sustainable development performance of companies through their selection in specific stock exchange indexes. The main evaluation areas are governance, management of human resources, environmental performance, ethics, human rights, customer care, supplier relations and the communication with civil society. Veolia Environnement is listed in the main extra-financial indexes.

**FTSE4Good**
Veolia Environnement has been listed in the British FTSE4Good index since 2004. This index is composed of companies quoted in the FTSE Global Equity indexes and considered to have the highest performance in terms of sustainable development. Margins for improvement have been identified in terms of management of human rights and anti-corruption procedures.

**DJSI**
In 2007, Veolia Environnement once again appears on the American DJSI World and Stoxx indexes, and was identified as the leader in the Water Utilities sector. The Group improved its global score in 2007: its performance was underlined for its commitment to human resources, its social and environmental reporting, its commitment to stakeholders and access to water.

**ASPI Eurozone (Vigeo)**
The European ASPI Eurozone index is composed of the 120 companies in the Euro zone with the highest ratings for sustainable development. Veolia Environnement was listed again in 2007 based on the rating made in 2006.

**Centre Français d’Information sur les Entreprises (CFIE) (The French center for information on companies)**
The Group was awarded first place in the 2007 French business classification for the quality of its social and environmental information.

**Ethibel Sustainability Index (Vigeo)**
Veolia Environnement is included in the Ethibel Sustainability Indexes, and has been since 2002. The Ethibel Pioneer Index is composed of the shares of approximately 300 companies and the Ethibel Excellence Index is composed of the shares of around 280 companies quoted in Europe, North America and Pacific Asia. These are companies with the best performance or with performances above the average for social and environmental matters, and which meet ethics criteria produced by the independent Forum Ethibel organization.

**The Sustainability Yearbook 2008**
The Sustainability Yearbook 2008 is a classification of companies produced by the SAM rating agency in partnership with PricewaterhouseCooper, and rewards Veolia for its exceptional achievements in the field of sustainable development by granting it three awards: SAM 2008 Leader in the Water Utilities Sector, SAM 2008 Sector Mover, and SAM 2008 Silver Class for good overall performance.

**Our position with respect to the market**

<table>
<thead>
<tr>
<th></th>
<th>Veolia Environment</th>
<th>Average of eight companies with which Veolia Environnement is regularly compared*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>32.628 billion euro</td>
<td>Approx. 20 times less</td>
</tr>
<tr>
<td>Percentage of the Water activity in total revenue</td>
<td>33.39%</td>
<td>Approx. 77%</td>
</tr>
<tr>
<td>Number of countries concerned</td>
<td>68</td>
<td>Approx. 3 times less</td>
</tr>
<tr>
<td>Workforce</td>
<td>319,502</td>
<td>Approx. 38 times less</td>
</tr>
</tbody>
</table>

This table shows the size, complexity and diversity in which Veolia Environnement performs its activities.

* This concerns eight other companies evaluated in the DJSI Water Utilities sector.

Note: data presented for Veolia Environment is 2007 data; data presented for its peers is the most recent available information.
Monitoring satisfaction in all our sites

Client satisfaction is now monitored regularly by every division based on indicators identified, in 2005 and 2006, when survey methodologies were harmonized (see graph 1). The Group has developed special training courses to increase the awareness of its employees in customer relations (see graph 2). In particular, Veolia Transport has made a strategic priority of it.

Furthermore, Veolia Water has organized consumer trophies to identify, award and share specific practices carried out worldwide.

Being available to listen to our customers

Veolia Environnement has developed expertise in the management of customer service centers (see graph 3). Apa Nova (Veolia Water) in Ploeisti, Romania, received the prize for the best customer service in 2007 for the Europe, Middle-East and Africa area awarded by Contact Center World. This prize was awarded particularly for the synergies with the activities of Veolia Energy-Dalkia and Veolia Environmental Services.

Veolia Environnement is committed to continuous improvement of its customer satisfaction levels through welcoming of customers, access to services (call centers, dedicated teams) and meeting increasingly strict quality requirements (service commitments, customer service charters, passenger charters, etc.). The Group is defining service standards to meet consumers’ expectations; and is harmonizing its reporting tools, to get a better understanding of population expectations. One of the major aspects of this policy is diffusion of good practices and experiences. They can be more easily identified through the use since 2003, of annually consolidated “customer” indicators. This reporting enables an annual inventory of actions implemented to improve the quality of service, and encourages the Group’s different sites to make progress in this area.

The reporting process and indicators identified five years ago need to be changed. An independent audit of tools during 2008 will provide a basis for adapting them to meet the expectations of our customers and local authorities.

Improving the quality of service: a daily attention

Customers’ satisfaction is one of the Group’s major priorities. Various indicators contribute to the improvement of our performance: e.g. service quality monitoring, complaints management or real time information.

![Satisfaction Surveys](image1)

**Chart 1:**

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007*</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>91</td>
<td>96</td>
<td>95</td>
</tr>
</tbody>
</table>

**Legend:**

- **Satisfaction Surveys:** Consolidated scope of Veolia Environment
- **Customer Relationship Training:** Consolidated scope of Veolia Environment
- **Customer Service Points:** Consolidated scope of Veolia Environment
- *Performance for new scope
Managing complaints more efficiently

Responses given to our customers following failures or complaints must be systematic, fast and effective (see graph 4). Veolia Transport and Veolia Water have made a commitment to a new process for management of complaints with dedicated teams. In particular Veolia Transport has produced a multidisciplinary program to increase professional behaviour. After the success of experiments carried out in 2006 and 2007, Veolia Environmental Services has integrated the “i-oscia” complaint management program into its customer relationship web solution set up in France.

Informing our customers in real time

Veolia Environnement has made a commitment in recent years to set up customized information systems. For example, Veolia Water communicates with its customers through text messaging in Morocco, the Czech Republic and China to answer their questions about billing, payment, consumption and leakage monitoring. Similarly Veolia Transport informs in real time (text messaging, email) its customers about any delays and incidents in most countries in which it has activities.

BEST PRACTICE

“Going for Green”
Developing a customer care culture

This Veolia Transport program ensures that employees in contact with passengers and their managers are focussed on the same objective: satisfaction of passengers. Its success is based on adapting customer relation situations to the local context.

The “Going for Green” program consists of:
• a training course;
• a measurement of passengers satisfaction and personnel motivation (before and after training);
• an internal communication system.

“Going for Green” was successfully tested in transportation networks in Dublin and Las Vegas in 2005 and 2006, and was implemented in Germany, France and the United States in 2007. It is also planned to be applied to the Stockholm metro and the Barcelona tramway in 2008.

/ CUSTOMER SATISFACTION BEFORE / AFTER THE “GOING FOR GREEN” PROGRAM IN KIEL (GERMANY)

/ COMPLAINTS HANDLING
Consolidated scope of Veolia Environnement

/ VARIATION OF OTHER CUSTOMER PERFORMANCE INDICATORS
A value creation for our activities...
Sustainable development intrinsically forms part of Veolia Environnement’s commercial development. The financial performance of our businesses is based on the ability to promote a genuine circular saving, particularly by systematically analyzing material and resource flows in regions, in the context of actions involving local communities, public services and companies. These exchanges require that the quality of our contracts and acceptance of our services and solutions are optimized. Contractual relations are subject to a permanent and transparent evaluation of the quality and suitability of the delivered services. Therefore, the financial performance depends on close cooperation between responsible partners within a value creation chain, based on cooperative models.

...that can be seen in the Group’s results
The Group’s consolidated revenue was equal to 32.6 billion Euros on the 31st of December 2007. This was 14% more than in 2006. External growth is due particularly to acquisitions made by Veolia Environmental Services in the United Kingdom and in Germany (contribution of the order of 1,200 million Euros), Veolia Energy in Europe and in Australia (254 million Euros) and Veolia Transport in France and in the United States (161 million Euros). The build up in strength of the biomass industry for Veolia Energy-Dalkia justifies strategic decisions made about renewable energy, with the renovation of the Vandoeuvre heat network and acquisition of Panpower in Hungary. Other acquisitions marked the year 2007, particularly the acquisition of Sulo (recycling) in Germany and several companies in the transportation business in the United States.

The Group’s international growth accelerated in 2007 with an increase in the share of the total turnover now equal to 96% of the total (compared with 53% in 2006). This overseas growth is also boosted by the start up of new contracts signed in 2006, particularly in Central Europe, Asia Pacific (water contracts for Shenzhen, Lanzhou and Kumming), South Korea (a metro line in Seoul) and the United Kingdom with integrated waste management contracts (Shropshire, East Sussex, Nottinghamshire). Activity was also strong due to Veolia Water AMI’s (Africa, Middle East, India) development of activity in Morocco, the construction of seawater desalination plants by reverse osmosis in the Sultanate of Oman, and by thermal desalination in Saudi Arabia (800,000 m3/d).

See annual report www.veoliaenvironnement.com

Employees (personnel costs)
2007 10,061 M €
2006 8,993 M €

Suppliers, external service providers and indirect taxes
2007 18,271 M €
2006 15,766 M €

Tax administrations
2007 416 M €
2006 331 M €

Banks and bond investors
2007 817 M €
2006 701 M €

Shareholders including minority shareholders
2007 564 M €
2006 479 M €

Net investments
2007 4,003 M €
2006 2,884 M €

Income from operations redistributed to stakeholders
2007 30,129 M €
2006 26,270 M €

Income from operations available for the company
2007 2,499 M €
2006 2,250 M €

/ DISTRIBUTION OF OUR INCOME AMONG OUR STAKEHOLDERS IN 2007
This table presents how the income from our activities is redistributed to our different stakeholders.
In 2008, the Group will achieve the last of the twelve commitments that were defined in 2002. Considering the major challenges consisting of climate change, renewable energy, health, and waste recovery, the Group began to define a new generation of indicators with quantified objectives in 2007 following a logic of measuring performance rather than developing additional means. The Group’s commitment applies to trends: reduction, constant or growth. It is complemented by the definition of a guiding target value that can be revised depending on the rate of implementation of the EMS and any significant changes to the scope. In 2008, the Group will complete production of its next environmental management plan by including ongoing research on the production of minimum standards applicable to all our activities. Within this framework, a liaison committee controlled by Executive Management and composed of the Vice President of the sustainable development department, a member of the Executive Committee of each division and representatives of the different managements concerned (Legal and R&D), will validate strategic plans in terms of environmental management, and will report to the Veolia Environnement Executive Committee annually.

The Environmental Management System (EMS) is a tool used to implement the Group’s policy in the fields of the environment and health. It is common to all activities and is structured around three levels of responsibility (Group, division, business units). It enables the Group to determine, manage and reduce the impact of its activities on environment and health. An environmental management committee, composed of the environment departments of the Group and its divisions, manages the implementation and organization of the EMS, encourages sharing of information and good practices between divisions, and ensures that objectives and actions taken in 239 different business units remain consistent.

In 2007, the Group:
• set up a team of internal auditors with direct control over returned information (implementation of the EMS, conformity with regulations, relevance of the action plan),
• finalized implementation of its environmental information system (EIS) to improve the indicator reporting process and the interpretation of environmental data. This tool will also be strengthened by a specific module for monitoring how environmental audits are performed.

### Environmental performance

The Environmental Management System (EMS) is a tool used to implement the Group’s policy in the fields of the environment and health. It is common to all activities and is structured around three levels of responsibility (Group, division, business units). It enables the Group to determine, manage and reduce the impact of its activities on environment and health.

#### Division State Definition Achieved on 31.12.07 Trend 2011 target value

<table>
<thead>
<tr>
<th>Division</th>
<th>State</th>
<th>Definition</th>
<th>Achieved on 31.12.07</th>
<th>Trend</th>
<th>2011 target value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Veolia Environnement</td>
<td>Gearing</td>
<td>Implementation of the EMS</td>
<td>75%</td>
<td></td>
<td>60% Scope increased in 2008</td>
</tr>
<tr>
<td>Veolia Water</td>
<td>Gearing</td>
<td>Water distribution network efficiency in the EU (5 countries)</td>
<td>82%</td>
<td></td>
<td>&gt;80%</td>
</tr>
<tr>
<td>Veolia Environmental Services</td>
<td>New scope</td>
<td>Percentage of waste treated in incinerators with dioxin emissions lower than 0.1 mg/Nm3 (all sites)</td>
<td>98%</td>
<td></td>
<td>&gt;95%</td>
</tr>
<tr>
<td>Veolia Transport</td>
<td>Gearing</td>
<td>Reduction of polluting emissions from vehicles, CO2, HC, particles</td>
<td>CO2 2.51 g/km HC 0.15 g/km Particles 0.31 g/km</td>
<td>Redefined in 2008</td>
<td></td>
</tr>
<tr>
<td>Veolia Energy</td>
<td>New</td>
<td>Carbon efficiency ratio* (global reduction of GHG emissions / total GHG emissions)</td>
<td>22%</td>
<td></td>
<td>23%</td>
</tr>
</tbody>
</table>

* See pages 44 to 51 “Combating climate change”
Managing environmental performance

The implementation ratio of the Environmental Management System (EMS) was 3% higher in 2007 and is on line with our 80% target for the end of 2008. The change in the indicator takes into account the fact that in general, there is no environmental management in place at most of the sites that we are asked to manage under new contracts. Therefore, a minimum time is necessary to put in place the Group’s internal approach.

The percentage of ISO 14001 certifications has remained constant, thanks to the achievement of external certification for a number of sites that were implementing the Group’s internal EMS.

The percentage of the 1,285 priority facilities that have been audited since 2002 is now 89%, which is on track for the 2008 target of 100%.

578 sites were audited in 2007. An action plan is produced during the first audit. Audits are then carried out to monitor the implementation of action plans, so that they can be corrected if necessary.

The Group’s significant growth, resulting in 110 new facilities being brought into the scope, makes it difficult to perform the audit during the first year despite rigorous planning.

Thus, the percentage of audits completed on the 2007 scope with the pro-forma 2006 was 91.4%.
Veolia Environmental Services facilitates the development of material, agricultural and energy recovery, respecting the hierarchy of treatment methods.

Selective collection and sorting of waste (wood, paper, cardboard, glass, metals and plastics) produced by industrial companies and households, recover materials by recycling waste to transform it into reusable materials.

Waste that cannot be integrated into material recovery systems will be recovered for energy, thanks to the capture of heat produced by incinerators equipped with recovery systems and the capture of landfill gas derived from decomposition of landfill waste.

Finally, the organic fraction of industrial or municipal waste flows may also be recovered for agricultural use, so as to restore the content of organic material in soils and to limit the need for added enrichment derived from fossil fertilizers (nitrogen, phosphorus, potash).

Veolia Environmental Services has made a commitment to reduce the percentage of waste treated (landfill or incineration) without recovery.

This strategy is boosted by changes to treatment systems between 2006 and 2007. The percentage of material recovery systems (particularly due to the integration of the new Sulo subsidiary) and energy recovery systems will increase. The percentage of unrecovered landfill or incinerated waste is 5% less than it was in 2006.

With an incinerator equipment ratio exceeding 92%, energy is recovered from almost the entire tonnage treated in this type of facilities.

Most facilities that are not fitted with energy recovery systems are hazardous waste incinerators in which priority is given to the reduction of polluting emissions.


**Saving water resources**

The efficiency ratio of Veolia Water’s drinking water networks in the European Union remains greater than 80%, in line with the commitment made in 2002 and carried forward until 2011. This illustrates the high performance level in mature markets.

Development in countries in which water services require major upgrades over several years is incompatible with commitments taken on a global scale. Thus in 2003, the addition of a new contract for a city of 1.5 million residents with an efficiency ratio of 15.4% has reduced our worldwide efficiency by 2% that would have been equal to 78.5% and therefore higher than 2006, if this contract had not been included.

**Preserving energy resources**

Veolia Energy – Dalkia’s consumption of renewable and alternative energy\(^6\) has increased by two thirds in two years, and by 54% since 2006, due to three factors:

- an acquisition and development policy giving preference to operations making significant use of biomass\(^6\), particularly in Hungary and Germany;
- continuation of a policy to substitute biomass for fossil fuels in our operations, either through the development of biomass boilers or by including a certain percentage of biomass into burned coal;
- development of heat recovery in municipal waste incineration plants (MWIP)\(^5\).

### Energy Production and Consumption

### Renewable and Alternative Energy Production

(Thousands of MWh thermal and electrical)

<table>
<thead>
<tr>
<th>Year</th>
<th>Renewable Energy</th>
<th>Alternative Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>4,433</td>
<td>1,965</td>
</tr>
<tr>
<td>2007</td>
<td>6,807</td>
<td>1,181</td>
</tr>
</tbody>
</table>

### Renewable and Alternative Energy Consumption

(Veolia Energy-Dalkia - thousands of MWh)

<table>
<thead>
<tr>
<th>Year</th>
<th>Energy</th>
<th>Waste Management</th>
<th>Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>322</td>
<td>7,631</td>
<td>4,016</td>
</tr>
<tr>
<td>2007</td>
<td>15,777</td>
<td>8,849</td>
<td>6,094</td>
</tr>
</tbody>
</table>

### Energy Supplied by the Production of Renewable and Alternative Energy as a Percentage of the Total Energy Consumption

(Electrical and thermal)

<table>
<thead>
<tr>
<th>Year</th>
<th>Renewable and Alternative Energy (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>11%</td>
</tr>
<tr>
<td>2007</td>
<td>13%</td>
</tr>
</tbody>
</table>

In 2007, Veolia Environnement produced 15.4 million MWh of renewable and alternative energy out of a total energy consumption of 117.6 million MWh. Energy produced from renewable and alternative energy sources provides 13% of Veolia Environnement’s total energy consumption, which is 2% more than in 2006.

Note: Heat recovered in MWIPs is now taken into account by assigning 50% into the renewable energy category, instead of assigning 100% into the alternative energy category previously. This breakdown complies with international recommendations, and this is why we have updated the 2006 figures.
Limiting our impacts
Combating climate change

Veolia Energy-Dalkia is continuing its efforts to reduce the carbon intensity of heat produced by facilities larger than 20 MW. For a constant scope (base 2005), the carbon content per MWh produced dropped by 1.8% in 2006 despite adverse climatic conditions, and by 3.4% in 2007 due to improvement in efficiency, management of the energy mix, better use of co-generation and development of renewable and alternative energy.

*Note: based on a 2006 proforma, the carbon content per MWh produced would have dropped by 5.2%. Without the proforma and if the new contract in Hungary is included (wood heating), the 2007 performance is even better with an increase of 0.4%, namely 0.32 metric tons of CO2 per MWh thermal.*

In 2006, Veolia Energy-Dalkia created an indicator quantifying the overall reduction of GHG emissions and converting primary energy savings into metric tons of CO2.

Efforts made to reduce GHG emissions, particularly due to energy management systems and renewable energy, have been represented as a “carbon efficiency” ratio that measures the percentage of the overall reduction of emissions, as a percentage of Veolia Energy-Dalkia’s total GHG emissions. In 2006, the small increase in comparison with 2005 is explained by the acquisition of new coal facilities. A value of 21.7% was achieved in 2007 due to the reduction in the percentage of coal, the 42% increase in the percentage of wood and the 12% reduction in the percentage of fuel oil in the energy mix. Veolia Energy-Dalkia has set itself a “carbon efficiency” ratio target of 23% by the year 2011.

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*Note: based on a 2006 proforma, the carbon content per MWh produced would have dropped by 5.2%. Without the proforma and if the new contract in Hungary is included (wood heating), the 2007 performance is even better with an increase of 0.4%, namely 0.32 metric tons of CO2 per MWh thermal.*

In 2002, Veolia Environmental Services made a commitment to equip its landfill sites (in operation, accepting biodegradable waste, and for which Veolia Environmental Services controls investments) with landfill gas capture and treatment systems, with a target of 100% by the end of 2006. 82% of landfill sites were equipped in 2007, which is equivalent to 92% of all buried waste. 20 sites still remain to be equipped, and an investment plan has been produced for them. In particular, this plan includes five Clean Development Mechanism projects in progress.

The challenge has now moved to two complementary fields:

- Methodologies for calculating the production of methane and for measuring captured and emitted methane: Veolia Environmental Services uses different methodologies for calculating the production of methane from landfill sites depending on its regulatory obligations, but none of them offers a precise measurement. There are also uncertainties with the measurement of captured methane. Due to the importance of this issue, innovative work was initiated on modeling methane production, better reliability in the measurement of captured methane, and the development of a precise methodology for measuring diffuse emissions of methane.
- The efficiency of capture devices: The Group made the decision to provide information about the effective capture ratio of theoretical methane emissions starting from 2007 (despite necessary reserves for the calculation and measurement methods used), so as to evaluate our progress in this field.

The Group has committed itself to improving its capture ratio, which was 50.2% in 2007, between now and 2011. Without Proactiva(1), the capture ratio is 58.4% on the scope of Veolia Environmental Services alone. Veolia Environmental Services and Proactiva have initiated action plans designed to:

- install capture and treatment systems on sites that are not equipped (particularly through CDM projects);
- deploy methods of efficiently operating landfill gas capture systems.

In 2008, the Group will deliver a target value of its capture rate for the 2011 deadline, although this target may be revised if significant changes to the scope are made or if any measurement methodologies are changed.

*Proactiva is a 50% subsidiary with the Spanish FCC Group that operates in Latin America.*
Sanitary quality of drinking water

The ratio of compliance with the regulations is used universally to take account of the sanitary quality of water. However, this indicator has some limits that Veolia Water would like to improve. Veolia Water has created a new indicator based on chemical and bacteriological parameters that the World Health Organization has considered to be priorities (E-coli, arsenic, fluorides, nitrates and selenium), in order to evaluate the quality of the water that it distributes. The method of calculating this indicator includes the intensity by which thresholds recommended by the WHO are exceeded, and the duration. Therefore, it reflects the capability of the operator to initiate appropriate corrective actions as quickly as possible, to enable permanent control of the sanitary quality of distributed water.

In 2007, the indicator was calculated for 78.8% of the total population served by Veolia Water throughout the world. The objective is to adapt tools and organizations so as to quickly reach a 100% coverage ratio. 99.3% of the entire population served by Veolia Water for which this indicator was calculated benefited from excellent quality or high quality water. For the remaining 0.7%, solutions will have to be found with our clients so as to achieve internal standards of Veolia Water concerning the quality of distributed water.

Environmental health

Management of dioxin emissions related to waste treated in incinerators is a public health challenge. Because there is no scientifically accepted value, Veolia Environmental Services has adopted the strictest regulatory reference, which is the value adopted by the European Union, to measure its performance.

In 2007 Veolia Environmental Services decided to extend the indicator to include all managed facilities, even when it does not control investments for these sites (this represents a total of 78 incinerators compared with 23 in the past) and to fix a permanent target of more than 95% for this new scope.

Sanitary quality of drinking water

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Managing the legionella risk in our facilities

The risk prevention system developed by Veolia Energy-Dalkia is based on:
• the existence of a prevention plan adapted to each country and conforming with the Group’s system;
• increased awareness of personnel to the risk of Legionella;
• an audit of each of its sites at-risk and implementation of our consultancy obligation towards our clients;
• implementation of technical devices complying with the prevention plan.

The progress rate in 2007 was 89.7%, which was almost 5% better than 2006. The constant improvement to the indicator reflects Veolia Energy – Dalkia’s efforts to maintain high quality monitoring and good prevention at its facilities.
Limiting air pollution

Emissions from incineration plants per metric ton of treated waste are continuously being reduced due to improvements in the performance of treatment systems. This is the case particularly for nitrogen oxides, for which treatment has significantly improved in Asia.

Veolia Transport is continuing its efforts to reduce polluting emissions from its fleet of passenger transportation vehicles. Compared with the target fixed in 2005 (80% of the vehicle fleet), reduction objectives for 2008 are 8% for carbon monoxide (CO), 14% for hydrocarbons (HC) and 15% for particles.

2007 results have improved by 1%, 6% and 5% for CO, HC and particles respectively, which is on track to achieve the objectives for the end of 2008.

Note: 2005 and 2006 values have been updated to include a correction to the 2005 target.

Limiting the discharge of pollutants into water

Veolia Water has developed a composite indicator that better reflects the performance of treatment systems used, taking account of and weighting different forms of pollution, following the approach used by water agencies in France.

The chemical oxygen demand (COD), nitrogen (N), phosphorus (P) and suspended solids (SS) are thus included alongside the biological oxygen demand (BOD), to represent a global efficiency ratio. The global treatment efficiency ratio this year is 79.7%. The treatment efficiency (BOD) remains stable at 90%.
The Group’s commitments

A sustainable buildings policy

The construction of tertiary buildings (offices, research centers, training premises, etc.) for which the Group is the owner, will be based on sustainable construction criteria. A typical specification has been produced defining minimum requirements to be respected (obtaining the NQ HQE® Tertiary certification). Veolia Environnement would then like to go further and construct “zero energy” buildings. Veolia Environnement’s five new campuses now integrate this commitment.

Rationalizing procurement

Veolia Environnement’s head office has undertaken an approach to improve its purchases of paper (reports, internal publications, brochures, etc.) by setting up a reference list of printers which includes sustainable development criteria. The Group will only purchase paper from IMPRIM’VERT labeled suppliers, guaranteeing absolute elimination of toxic products, and security of product and hazardous waste storage sites. The Group also makes a commitment to print documents for internal and external communication purposes (and in minimum numbers) using only paper derived from sustainably managed forests (FSC).

Renewing the fleet of light vehicles

The CO2 emissions reduction policy has already improved the environmental and economic performance of 28,000 vehicles in France. Since 2006, renewal of the fleet has had a positive effect on the reduction of CO2 emissions through the use of a new vehicle selection table. The average emissions of the 6,000 new vehicles that came into service in 2007, all categories combined, was 145.6 g of CO2/km, in other words 8.9% less than vehicles bought in 2005 before this policy was set up. The Group has made a commitment to reduce total emissions from its entire fleet by 10% from 2006 levels by 2010.

Best practice sites

Saving water

Veolia Environmental Services has set up a system for washing collection points for glass and paper in Nancy, France, which recovers wastewater and filters it before carrying it to the treatment plant.

Veolia Transport uses recycled water for washing 25% of its fleet of vehicles, which represents more than 8,200 public transportation vehicles.

In Bordeaux, France, Veolia Transport has developed biological fountains for cleaning mechanical parts, thus limiting emis-
Environmental training and increased awareness of sustainable development

Training courses provided by Campus Veolia Environnement increase awareness of sustainable development. In 2007, 60 students (future Veolia Operations Managers representing 96% of persons attending the course) were awarded a “Environmental Services Management and Engineering” master degree diploma. 20% of the teaching time in this master's degree is set aside for the environment and sustainable development areas.

Veolia Environnement integration days (JIVE) offered to all new employees working with the Group include workshops in which participants are evaluated based on their ability to integrate sustainable development areas into their work.

Veolia Environmental Services has included an environmental awareness module in its training program for its employees. Divisions also pass on these messages. Thus, Veolia Water has developed a network of correspondents that pass on the Group’s sustainable development strategy, modified to suit the local context. These procedures are particularly well developed in the United Kingdom (Three Valleys Water), France (in the South-West region), Germany and Niger.

Optimizing energy consumption

Veolia Environnement’s head office has produced a program to increase the awareness of employees of eco-actions. Energy saving measures have been set up based upon the improved lighting (installation of low energy bulbs, movement detectors in washrooms, time programming in some rooms). Electricity consumption was thus 35% lower in 2007 than in 2005.

In France, Veolia Transport has provided manually rechargeable standalone torches using “low voltage” bulbs for use by bus drivers.

Limiting emissions from private transportation

Veolia Water has put five hybrid vehicles into circulation in Agen, France, to reduce polluting emissions and achieve fuel savings.

Veolia Water is developing a travel plan in the United Kingdom, to encourage car sharing between its employees.

Recycling waste

In China, Veolia Water has joined the Planet Partners program developed by its computer supplier in partnership with a local NGO that encourages responsible recycling and is increasing the awareness of its local teams about the benefits of this practice.

In France, Veolia Energy-Dalkia has installed cardboard kits supplied by Veolia Environmental Services to collect small toxic waste following maintenance work.

Can you describe the Resources project and how it is deployed within your region?

A Carbon balance® and an energy diagnostic were produced and used to create an inventory and an associated action plan for three pilot sites. This included the setting up of performance indicators and the mobilization of all teams (training of 500 people). All commercial agents in the region (100 people) attend training courses produced in cooperation with the sustainable development team. It is planned to deploy this project throughout Veolia Environmental Services Center-West as a function of the results obtained on pilot sites, and in the Group’s other businesses in the France West Region.

What is the motivation behind Veolia Environmental Services Center-West Region setting up the Resources project?

Above all, the objective is to use sustainable development as a management and innovation lever to achieve two main objectives, namely to limit our own impacts (particularly our CO2 emissions), and to improve our commercial proposals in response to the new expectations of our clients.
These studies emphasized the need to adapt our indicators to match local reality in the countries in which we operate, and to take better account of company acquisitions and operations taken over, that make significant and continuous changes to Veolia Environnement’s operations scope.

In this context, it became necessary to apply minimal standards, which maintain the possibility of controlling the Group’s commitment to match local realities. These standards provide more relevant criteria for a Group anchored in a diversity of contexts and a variety of activities.

Minimum social standards for diversity

Operating in extremely varied local context and involved in the promotion of diversity, we are in the process of developing minimum social standards. For example, since 2002 Veolia Environnement has committed itself to a comparatively transparent remuneration policy. We compare the average remuneration of our employees to minimum local wages. This 2006 comparison between guaranteed minimum or actual wages in 19 countries in which we operate shows that the Group’s salaries are 2.2 times higher than the average minimum legal salaries in these countries (namely an average weighted salary of 26,566 Euros for Veolia Environnement compared with the minimum legal average salary of 12,008 Euros). Two-thirds of Veolia Environnement’s employees are employed in these 19 countries.

FOCUS

Social data verification by the official auditor, KPMG

The quality of social reporting has been confirmed by an external evaluation. KPMG, one of Veolia Environnement’s auditors verified 11 key social data chosen by the Group. KPMG’s report (moderate assurance level) concludes that there are no significant anomalies in the verified data. It emphasizes good control over existing reporting procedures, the quality of the software used, the reliability of data collection, and the strong monitoring and verification environment. The evaluation external to KPMG is included in Veolia Environnement’s 2007 social report.

The number of participants in our training increased significantly between 2005 and 2007, and an increasing number of women benefited from it.

Training encouraged internal mobility within the Group: 82% of inter-company transfers and 18% of intra-company transfers demonstrate our employees’ loyalty to the Group. In this context, the professional promotion ratio is increasing slowly but regularly.

Our social policy is aimed at reducing differences and promoting equality of opportunities. Salary differences within the Group are generally less than or very much less than differences determined by Eurostat across Europe. The average difference in France is 18.9%, while the difference among Veolia Environnement’s employees is only of 12.6%.

Furthermore, the average participation in the new share issue offering to our employees in 2007 was 20.5% [compared with 17.1% in 2006], which is a sign of the confidence of employees in their Group.
Structure of workforce

The number of employees on December 31st 2007 was 319,502, which was 7% more than in 2006. Almost two thirds of the workforce is outside France. The largest percentage increase was in the South American zone (+13.2%). However, the largest increase in the number of the Group’s employees was in Europe (outside France) (+7.7%). The breakdown of employees by socioprofessional category reflects the activities of a group anchored in practical realities, requiring a high ratio of salaried employees. The company increased the number of employees with unlimited-term contracts between 2006 and 2007. Only a small minority of its employees are recruited under a fixed-term contract, which is in accordance with the Group’s social policies. The ratio of men to women employed varies by business and reflects the sometimes difficult conditions of the work available (21% of women throughout the world). However, more than half of the Group’s employees working in general functions and administrative services are women. In 2007 this disparity was tending to reduce and the general trend is towards higher growth in the female workforce than in the male workforce (12.8% compared with 6.1%).

Compensation and professional development

The average gross annual compensation by gender since 2005 in Euros for women is 25,318 in 2005, 25,966 in 2006, and 26,786 in 2007. For men, the corresponding figures are 19,216, 22,117, and 22,823. The percentage of women benefiting from training in 2005 is 37%, in 2006 it is 57%, and in 2007 it is 77%. The number of transfers within the group has increased from 19,216 in 2006 to 24,684 in 2007, with a slight decrease in the percentage of intra-company mobility from 82% in 2006 to 79% in 2007.
Job dynamics

After a net creation of jobs equal to 12% (compared with 7% in 2006), Veolia Environnement is making a strong contribution to employment in the countries in which it is operating, while consolidating its internal growth trend. The total number of people hired in the world is 89,091 (of which 67% are unlimited-term contracts). The acceleration in the turnover is largely explained by a growing labor market and an increased number of people leaving for retirement.

Encouraging employer-employee dialogue

The Group places the communication with its employees at the core of its social model. The very significant increase in the number of collective agreements signed between 2005 and 2007, the regular increase in employee representatives since 2005, the breakdown of collective agreements largely centered around the question of compensation certify the dynamics of this employee-employer communication policy.
Diversity of local contexts

Training on subjects other than safety vary as a function of the level of education of the countries. When this level is low, the emphasis is placed on basic knowledge (reading, writing, arithmetic). Therefore, every employee has the opportunity to improve his/her skills, regardless of his/her origin, seniority or initial training. The Group creates work contracts complying with national legal durations, to match local reality as reasonably as possible. The use of overtime depends on local practice in each country and the specific nature of different activities. Individual layoffs remained limited (3.2% of the total workforce) in 2007 and the number of collective layoffs (326 in all) was 17% less than it had been in 2006.

Labor organization

Analyzing the organization of labor by geographic area, one could see that criteria vary depending on specific features and cultural practice in different local contexts. The variety of social situations obliges Veolia Environnement to set up a work organization specific to each country, depending on local features.
### SOCIAL PERFORMANCE DATA

**Véolia Environnement 2006 and 2007 data include data for the VE SA Head Office, for the CAE and for Campus Véolia Environnement (not described in detail here).**

#### TRAINING

<table>
<thead>
<tr>
<th>Unit</th>
<th>2006 Véolia Environnement</th>
<th>2007 Véolia Environnement</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total numbers of training hours</td>
<td>1,069,182</td>
<td>1,123,060</td>
<td>5.13</td>
</tr>
<tr>
<td>Average number of training hours per employee</td>
<td>15.5</td>
<td>14.0</td>
<td>9.14</td>
</tr>
<tr>
<td>Total amount paid in respect of training (France) Euros</td>
<td>57,367,743</td>
<td>59,386,297</td>
<td>3.51</td>
</tr>
</tbody>
</table>

#### OCCUPATIONAL HEALTH AND SAFETY

<table>
<thead>
<tr>
<th>Unit</th>
<th>2006 Véolia Environnement</th>
<th>2007 Véolia Environnement</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of accidents</td>
<td>3,251,287</td>
<td>3,492,789</td>
<td>7.49</td>
</tr>
<tr>
<td>Accident severity rate</td>
<td>0.72</td>
<td>0.71</td>
<td>0.14</td>
</tr>
<tr>
<td>Number of part-time employees</td>
<td>14,970</td>
<td>15,839</td>
<td>5.76</td>
</tr>
</tbody>
</table>

#### LABOR RELATIONS AND COLLECTIVE AGREEMENTS SUMMARY

<table>
<thead>
<tr>
<th>Unit</th>
<th>2006 Véolia Environnement</th>
<th>2007 Véolia Environnement</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of departures</td>
<td>66,561</td>
<td>77,991</td>
<td>17.57</td>
</tr>
<tr>
<td>Total amount paid in respect of bonus payments (France) Euros</td>
<td>57,611,395</td>
<td>61,263,468</td>
<td>6.33</td>
</tr>
</tbody>
</table>

#### ORGANIZATION, WORK TIME, ABSENTEEISM

<table>
<thead>
<tr>
<th>Unit</th>
<th>2006 Véolia Environnement</th>
<th>2007 Véolia Environnement</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of transfers</td>
<td>13,057</td>
<td>16,154</td>
<td>23.70</td>
</tr>
<tr>
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<td>71,036</td>
<td>89,091</td>
<td>25.29</td>
</tr>
<tr>
<td>Total weighted annual average number of employees (full-time equivalent)</td>
<td>268,746</td>
<td>291,140</td>
<td>8.08</td>
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</table>

#### NEW HIRES

<table>
<thead>
<tr>
<th>Unit</th>
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<th>% Change</th>
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#### ORGANIZATION, WORK TIME, ABSENTEEISM

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<tr>
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### ENVIRONMENT PERFORMANCE DATA

<table>
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<th>2006</th>
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<td></td>
<td>VEOLIA ENVIRONMENT</td>
<td>WATER</td>
<td>ENVIRONMENTAL SERVICES</td>
<td>ENERGY</td>
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<tr>
<td>SOx (g/incinerated metric tons)</td>
<td>147</td>
<td>106</td>
<td>90</td>
<td>-</td>
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<td></td>
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<td>80%</td>
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<tr>
<td>NOx (g/incinerated metric tons)</td>
<td>1172</td>
<td>965</td>
<td>933</td>
<td>-</td>
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<td></td>
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<td>80%</td>
<td>80%</td>
<td>80%</td>
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<tr>
<td>Dust (g/incinerated metric tons)</td>
<td>27</td>
<td>20</td>
<td>21</td>
<td>-</td>
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<td>80%</td>
<td>80%</td>
<td>80%</td>
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<tr>
<td>HC (g/km)</td>
<td>0.73</td>
<td>0.69</td>
<td>0.65</td>
<td>-</td>
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<tr>
<td></td>
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<td>80%</td>
<td>80%</td>
<td>80%</td>
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<tr>
<td>CO (g/km)</td>
<td>2.69</td>
<td>2.53</td>
<td>2.51</td>
<td>-</td>
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<td>80%</td>
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### ENVIRONMENT PERFORMANCE DATA

<table>
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<th>2007</th>
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<tr>
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<td>ENERGY</td>
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<td>80%</td>
<td>80%</td>
<td>80%</td>
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<tr>
<td>WASTE</td>
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<td>80%</td>
<td>80%</td>
<td>80%</td>
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<tr>
<td>ENERGY</td>
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<td>80%</td>
<td>80%</td>
<td>80%</td>
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<tr>
<td>WATER</td>
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<td>80%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>AIR</td>
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### ENVIRONMENT PERFORMANCE DATA

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<th>2007</th>
<th>2007</th>
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<td>WATER</td>
<td>ENVIRONMENTAL SERVICES</td>
<td>ENERGY</td>
</tr>
<tr>
<td>Environnement - incineration plants (tonnes of CO2 per mwh)</td>
<td>36,4</td>
<td>39,5</td>
<td>42,8</td>
<td>-</td>
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<tr>
<td></td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
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<tr>
<td>Production of renewable or alternative energy (MWh)</td>
<td>6,1</td>
<td>7,1</td>
<td>10</td>
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<tr>
<td></td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
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</tr>
<tr>
<td>Proportion of clients equipped with water metering device</td>
<td>93%</td>
<td>93%</td>
<td>95%</td>
<td>-</td>
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<tr>
<td></td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>Bacteriological compliance rate</td>
<td>99.3%</td>
<td>99.3%</td>
<td>99%</td>
<td>-</td>
</tr>
<tr>
<td></td>
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<td>80%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>Mercury contamination vehicle emissions (g/km)</td>
<td>0.36</td>
<td>0.33</td>
<td>0.31</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>Passenger transportation vehicles emissions per unit</td>
<td>20,24</td>
<td>24,64</td>
<td>0.09</td>
<td>-</td>
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<tr>
<td></td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>Total direct greenhouse gas emissions (Mt CO2)</td>
<td>33,7</td>
<td>36,5</td>
<td>39,5</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>Direct CO2 emissions (Mt CO2)</td>
<td>2,7</td>
<td>2,69</td>
<td>2,65</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>Total energy consumption (electricity and heat) (MWh)</td>
<td>105,6</td>
<td>111,3</td>
<td>117,6</td>
<td>6,7</td>
</tr>
<tr>
<td></td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>Total energy production (electricity and heat) (MWh)</td>
<td>71,5</td>
<td>73,9</td>
<td>77,9</td>
<td>-</td>
</tr>
<tr>
<td></td>
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<td>80%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>Direct CH4 emissions (Mt CH4)</td>
<td>362,4</td>
<td>405,3</td>
<td>482,1</td>
<td>-</td>
</tr>
<tr>
<td></td>
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<td>80%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>Total direct CH4 emissions (Mt CH4)</td>
<td>3,2</td>
<td>3,26</td>
<td>3,3</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
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<tr>
<td>Total CO2 emissions (Mt CO2)</td>
<td>2,7</td>
<td>2,69</td>
<td>2,65</td>
<td>-</td>
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<td></td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>Total CH4 emissions (Mt CH4)</td>
<td>0,32</td>
<td>0,34</td>
<td>0,32</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
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<tr>
<td>Total CO2 emissions (Mt CO2)</td>
<td>1,1</td>
<td>1,3</td>
<td>1,4</td>
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</tr>
<tr>
<td></td>
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<td>80%</td>
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<tr>
<td>Total CH4 emissions (Mt CH4)</td>
<td>0,26</td>
<td>0,27</td>
<td>0,28</td>
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<tr>
<td></td>
<td>80%</td>
<td>80%</td>
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</tbody>
</table>
Methodological clarifications

In the absence of any recognized and relevant reporting baseline for its activities, the Group has defined its own reporting procedures developed from good practice and draft international standards.

Methodological procedures

The Group’s procedures are composed of:
• for environmental indicators: a company-wide measurement and reporting protocol, available on the (http://www.sustainable-development.veolia.com/en), supplemented by specific instructions for individual Divisions;
• for social indicators: a methodology for compiling, monitoring, analyzing and consolidating the data, using a reporting software package including a workflow process.

Consolidation scope

The scope of environmental reporting covers all worldwide activities over which the Company has operational control. Jointly controlled (50-50) water companies in France, and the design and operation of industrial water systems are excluded from the scope of reporting. Some subcontracted activities may also be included in the scope of reporting, in particular in the field of waste management (e.g., biogas conversion) or transportation.

The scope of social reporting covers all consolidated companies whose human resources are managed by the Company, and those of the jointly controlled (50-50) water companies in which Veolia Environment is responsible for human resources. In the case of Proactiva (water and waste management activities in South America), companies owned 50-50 by Veolia Environment and a Spanish company partner have been kept in the Company in 2006 to ensure the comparability of the data.

Consolidation method

Environmental and social data within this scope are 100% consolidated.

Scope variations

Scope variations are taken into account on the date on which they become effective. Acquisitions, the creation of companies or contracts won may, however, only be taken into account after a full year of operation. For 2007, the main changes in scope or activity were:
• Veolia Water - operation for a full year of contracts in Armenia, China, Guam, Japan, Slovakia and new contracts in Spain and in Italy.
• Veolia Energy - operation for a full year of contracts in China and integration of new projects in Australia, Saudi Arabia, Bahrain, Bulgaria.
• Veolia Transport - acquisition of contracts in France and Chile, and transfers of contracts in Lebanon and Denmark.
• Veolia Environmental Services - operation for a full year of contracts in the United Kingdom, Belgium, Romania, Italy and acquisition of new contracts in China, United States, Poland, Baltic Countries, United Kingdom, Czech Republic, Switzerland, Sweden and Singapore.

Choice of indicators

The following indicators were chosen listed in order of priority:
• the Group’s commitments and policy (EMS, environmental audits, etc.)
• performance related to Group’s main challenges and impacts,
• the effects of the Group’s labor practices
• regulatory obligations (NRE law in France)

Consolidation and checks

Environmental data is consolidated and monitored by each Division and by the Environment Department based on data collected from the business units. For certain indicators, data is calculated or estimated directly at the divisional level.

Human resources data is consolidated and checked by the Divisions and by the Company’s Human Resources Department. Automated checks are also performed at the business unit level. The data is then checked by Salustro Reydel, the Company’s independent auditor. The most relevant environmental indicators have been audited for the last six years by Ernst & Young, the Company’s independent auditor (see the report on page 94).

Limits to the methodology

There can be limits to environmental and social indicators due to:
• the lack of standardized definitions and national and international legislation
• the unrepresentative nature of certain measurements and estimates
• definition changes that may affect their comparison
• practical collection methods

As a result of these limits, we consider the accuracy of most of our data to be within 5 to 10%.

The main limits and uncertainties for the current year are related to:
• methane emissions, which are estimated on the basis of national or international models that are subject to high levels of uncertainty.
The challenges dealt with in this report have been selected according to their level of relevance to the expectations of stakeholders. The process of preparing the sustainable development report takes account of the Global Reporting Initiative G3 guidelines (www.globalreporting.org).

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<th>REPORT PARAMETERS</th>
<th>GOVERNANCE AND COMMITMENTS</th>
<th>ECONOMIC PERFORMANCE</th>
<th>ENVIRONMENTAL PERFORMANCE</th>
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<td>41-42</td>
<td>61-63, 75-76</td>
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**EN** - Indicator insufficiently relevant to the specific nature of our business.

- Indicator not collected or not consolidated.
- Veolia Environment does not wish to report on this indicator.
Further to Veolia Environnement’s request and in our capacity as statutory auditor of Veolia Environnement, we have performed a review in order to express the limited assurance that the environmental indicators for the financial year 2007 identified by the Group in the 2007 environmental performance report (the “Indicators”) have been prepared in accordance with the reporting protocol applicable for 2007 (the “Criteria”), a summary of which is included in the “Information about methodology” chapter on page 49.

Our review was conducted in accordance with the professional practice defined by IFAC’s (International Federation of Accountants) ISAE 3000, Statutory auditor’s assurance report on a selection of environmental indicators.

To express our conclusion, we conducted the following review:

• We have assessed the Criteria with respect to its accuracy, understandability, completeness and its relevance towards the Group’s activities and the environmental reporting practices of a selected sample of nine comparable environmental services companies (water, energy, waste management services and transport).

• At the level of the Group and its four divisions (Water, Environmental Services, Energy and Transport), we have interviewed those in charge of environmental reporting. At these levels, based on a materiality and risk analysis, we have verified the application of the Criteria, identified analytical procedures and verified, on a sample basis, the calculations and consolidation of data.

• We have selected a sample of twenty business units or equivalent in nine countries (Germany, Austria, Spain, United States, France, Mexico, Poland, Sweden and Venezuela), based on their activity, their geographical location, their contribution to the Indicators and the results of the verification works carried out over the past six years.

• The selected business units account for an average 22% (between 13% and 49%, according to the Indicators)(5) of the total value of the Indicators.

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• We have verified the appreciation and application of the Criteria, implemented analytical procedures and verified, on a sample basis, the calculations and consolidation of data.

• The Indicators have been prepared in accordance with the Criteria identified by the Group in the 2007 environmental performance report and those in the Group’s environmental reporting. At these levels, based on a materiality and risk analysis, we have verified the application of the Criteria, identified analytical procedures and verified, on a sample basis, the calculations and consolidation of data.

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Glossary

A

Ademe Agence De l’Environnement et de la Maîtrise de l’Energie, France (Agency for the Environment and Energy Control, France).

Alternative energy Energy sources from natural or industrial origin (biogas, flare gas, etc.).

AquaFed International association of private water operators.

Areas of ecological interest Sectors charac-
terised by the presence of species or remarkable environments forming part of the national, regional or worldwide natural heritage.

B

Bioreservoirs Micro-organisms are present every-
where in the environment, and are called bioreservoirs when they are in suspension in air.

Biodiversity Refers to the variety and variability of living organisms and ecosystems. Biological diversity is studied at three levels (genetic, specific or ecosystem).

Bioenergy Energy produced mainly from biomass and used in the form of fuel, heat or fuel.

Biofuel Liquid or gaseous product designed for use in the engines of a vehicle, containing products derived from vegetable or animal crops.

Biogas Gas resulting from the biological degradation process of organic materials with an oxygen deficit, containing a large percentage of methane and with a high calorific and energy potential.

Biomass Vegetable and organic animal waste.

Biometamisation Slae metamatisation.

BOT (Build Operate Transfer) Type of contract in PPP in which the private operator is responsible for construction and operation of a project that it will then be required to reintroduce to the public authority at the end of the contract.

C-D

Car sharing Service based on pooling of a fleet of vehicles (in practice, short period car rental).

CER (Certified Emission Reduction) Name given to carbon credits corresponding to emission reductions achieved through a CDM project. 1 CER corresponds to one metric ton of avoided CO2 equivalent.

Circular saving Saving that maintains a bal-
ced between the economic development and preservation of resources (according to the United Nations program for the environment).

Clean development mechanisms (CDM) Mechanism used for projects in the framework of the Kyoto protocol. It enables countries under constraint and companies in these countries to obtain emission credits by investing in projects to reduce emissions in host countries (developing countries, large emerging countries) that have ratified the Kyoto protocol but have no objectives to reduce their GHG emissions.

Cogeneration Process that consists of simulta-
nuously producing thermal energy and electrical energy from a single fuel.

Composting Biological process used to treat organic waste (green waste, fermentable fraction of municipal waste, sludge from urban treatment plants, etc.), by degrading them in an accelerated manner.

Concession Operating contract for a public service contract between a public authority and an operator (concession company). The concession company is responsible for operation, renewal and mainte-
nance of the facilities, and for invoicing. It also finances necessary investments (service concession on concession (aftermarket) contracts). The operator’s remu-
neration is derived from users of the service.

DNA (Designated National Authority) Entity (often forming part of the Ministry of the Environment) of the government of a CDM project hosted country made responsible for approval of such projects within its national area.

Domestic project Project to reduce emissions set up in France, or as to encourage reductions of CO2 emissions in offsite emission sectors (transport, buildings, agriculture).

E-F

Ecosystemic services Knowledge of ecosys-
tem functions and services that human beings obtain from them.

Ecotoxicity Property of a substance to cause harmful effects on living organisms or their physio-
logy (biochemical effect) and their functional organi-

cation (ecosystem).

Emission quotas of greenhouse effect gases These quotas correspond to the authorization to emit a metric ton of carbon dioxide equivalent during a given period. In particular, they are assigned to operators of energy facilities in applica-
tion of the Kyoto Protocol.

Emission Trading Scheme (ETS) European system for the exchange of GHG emission quotas.

Enrichment Product added to soil to improve its physical qualities and correct its acidity.

Environmental management system (EMS) System that an organization can use to implement its environmental policy and achieve associated objectives to control environmental impacts signifi-
cant of its activities and to respect regulatory requirements.

Ép Études for the environment (association).

Factor 4 In France, the objective of doubling national greenhouse gas emissions in 1990 by a factor of 4 by 2050.

Facts (Field Action Science) Initiative started by the Veolia Environment Institute in May 2007 aimed at distributing good practices in an international publication, FACTS Reports. The subjects discussed deal with development, human-

Fossil energy Energy produced from rock originating from the fossilisation of living beings: oil, natural gas, coal. Their combustion creates greenhouse effect gases.

Fundamental values of Veolia Environment Derived from the « ethics, conviction and responsi-
bility = program » commitment towards sustainable development, respect of regulations in force in the countries in which we work, loyalty to clients and consumers, social responsibility, risk control.

G-H

Green certificate The producer is issued with a green certificate for each MWh of electricity genera-
sed from renewable energy (hydroelectric, photo-
solar, wind, geothermal, biogas, wood energy). It is then sold to the consumer to certify the source of its electricity. In France, OBSEP EPI is the institute that issues green certificates.

Greenhouse gases (GHG) Gas absorbing some solar rays and responsible for climate change (CO2, CH4, N2O, water vapour).

Green register City planning document used to produce maps of the city’s green spaces.

Household wastewater Refers to snippy resi-
dual water. It includes wastewater from showers, dishwashers and washing machines.

I-J-K


ILO International labor organization.

Joint implementation (JI) Flexibility mecha-
nism defined by the Kyoto protocol, similar to the CDM. It enables developed countries to invest in other developed countries, particularly in countries with a transition economy in Central and Eastern Europe, and to obtain carbon emission credits that they can use to respect their commitments in terms of emission reductions.

Kyoto protocol Protocol that came into force in 2005 in extension of the United Nations outline agree-
ment on climate change. In particular, it fixes limiting values for greenhouse gas emissions in indus-
trial countries.

L

Landfill Sites that replace tips, enabling storage and treatment of waste and energy recovery from biogas.

Landfill gas See biogas.

Large water cycle Rivers, lakes, groundwater tables, clouds, oceans, ice.

Leachates When stored and under the combined action of rain water and natural fermentation,
waste produces a liquid fraction called “leachates”. These materials are rich in organic materials and trace elements, cannot be released into the natural environment directly and must be treated.

M-N-O

**Methanisation** Biological process for degradation of organic material by microbial flora, in the absence of oxygen.

**MNIP** Municipal Waste Incineration Plant.

**Network efficiency ratio** Ratio between the sum of invoiced and non-invoiced water volumes to the total volume input into the distribution network.

**OECD** Organization for Economic Cooperation and Development.

**ONEA** National Office for water and sanitation in France.

**Operational Entity** Organizational and geographic entity forming a level of management and consolidation with the division.

**Orée** French association composed of enterprises and communities to develop a common research on how the environment is taken into account by these bodies.

P

**Primary energy** Incoming energy before transformation.

**Priority facilities** Facilities with the most sensitive environmental impacts for the Group.

**Public private partnership** The abbreviation PPP also refers to a very wide variety of methods of production and management of infrastructures, facilities or public services. In forms of public service, the objective is a financing method by which a public authority calls upon private service providers to finance and manage facilities providing or contributing to public service. In return, the private partner receives payment from the public partner and / or users of the service that he manages. This financing method is present in many countries in various forms.

**Public service concession** Method of operating public services or general interest services originating from public authorities and for the benefit of residents, who pay the price directly to the concession. The concession is responsible for operation of the service and, if applicable, for making some investments.

**Purchasing power parity (PPP)** Method used to produce a comparison of the purchasing power of national currencies in different countries. It consists of measuring the amount of goods and services that can be purchased using a currency (standard shopping basket of goods in the different compared countries).

Q-R

**Relevant activities**

- Production and distribution of drinking water, collection and depollution of urban wastewater.
- Waste treatment activities (sort, composting, incineration, storage, treatment of hazardous waste).
- Energy services (heating and cooling networks, thermal and multi-technique services, industrial utilities and facilities management).
- Transport of passengers and goods.

**Renewable energy** Energy produced from natural elements (sun, wind, water, earth) solar and wind energy, hydroelectricity, geothermal, biomass, tidal, biogas from landfills, etc.

**Reuse** Reuse of treated wastewater (that has been treated in a treatment plant and that can be released into the natural environment).

**Reverse osmosis** Process for separation of water and dissolved salts by means of semi-permeable membranes under the action of pressure (84 to 88 bars for the treatment of sea water).

S

**Sanitation** Collection and depollution of waste and drain water.

**Sanitation equipment** Systems for treatment of wastewater or waste, or well ventilated toilets, or toilets connected to a septic tank, according to the definition of the World Health Organization and the UNICEF.

**Sapiens (Surveys and Perspectives Integrating Environment and Society)** Multidisciplinary scientific journal issued by the Veolia Environment Institute publishing articles written by the best specialists describing significant progress in the field of environmental prospecting.

**Secondary raw materials** Raw materials derived from recycling of waste and that can be used in manufacturing of a new product.

**Service concession (aftermarket) contracts** Contract for operation of a public service (for example drinking water services) drawn up between a delegating public authority and an operator. The local authorities makes investments, the private company is responsible for operation, renovation of facilities and invoicing. The operator’s remuneration is derived from users of the service.

**Shared ride** Refers to three types of transport including car pool, car sharing, and transport on demand.

**Small water cycle** Cycle of agricultural, industrial, and domestic uses.

**Stakeholders** Internal and external parties concerned by operation of the enterprise (employees, clients, suppliers, shareholders, associations, civil partnership, public authorities, etc).

**Subsidized connection** In the most general case, this refers to connection of low income households offered at a low price and / or with payment facilities.

T-U

**Transportation on demand (TOD)** Particular transport mode including traditional or collective taxis, school buses, car sharing and self-service bicycles. TOD services are different from other public transport services in that vehicles do not follow a fixed route and do not have a precise timetable, except sometimes to meet particular needs.

**Urban heating networks** Central boilers that supply buildings connected to them through a network of pipes.

V-W

**Waste recovery** There are three types of recovery:

- Material recovery or recycling that consists of using the materials contained in waste for a second life.
- Energy recovery, that consists of generating electricity or supplying a heat network.
- Agronomic recovery that consists of transforming the fermentable part of organic waste into compost.

**Whistleblowing system** System by which employees who observe a failure to observe functional rules of the ethics, connection and responsibility program, can send alerts to the ethics committee, if necessary to management is insufficient.

**White certificates** French system used to demonstrate and evaluate energy savings made. These certificates must enable savings of 54 TWh by 2008.