



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

	Good governance standards	Situation on March 15 2008				
Independence	Directors among themselves and in relation to management	Presence of at least 50% of independent directors within the board and on committees (Accounts, And Audit Committee; Nominations and Compensation Committee; Strategic Research, Innovation and Sustainable Development Committee)	Board of Directors	Accounts and Audit Committee	Nominations and Compensation Committee	Strategic research, innovation and sustainable Development Committee
		• Definition of independence adopted by the internal regulations of the board of directors	11/14	3/3	2/3	2/3
		Average duration of a director's mandate of four years	six years (half renewed every three years, last done in 2006)			
Statutory auditors in relation to management		Auditors cannot offer advisory services, except for services related to the audit	yes			
		Auditor - director meetings without the presence of management	yes			
Role in decision making	Directors	Maximum five accumulated mandates	yes*			
		Number of meetings and average attendance at board meetings and committee meetings	Board of Directors	Accounts and Audit Committee	Nominations and Compensation Committee	Strategic research, innovation and sustainable Development Committee
		• Number of meetings	11	6	3	10
		• Attendance ratio	77.9%	77.8%	100%	100%
		Annual evaluation of the operation of board meetings and committee meetings	yes**			
		Formal evaluation of operation of the board once every three years	yes**			
	Shareholders		Percentage of votes cast in the General Assembly by shareholders present, represented or voting by correspondence in 2007 (therefore apart from mandates to the President)	95.66%		
		Participation ratio (quorum) at the last general assembly (2007)	61.21%			
Other Stakeholders		Number of resolutions related to the company's social responsibility (CSR) proposed and voted in the General Assembly in 2007	none			
		Number of persons who raised questions related to CSR in 2007	Three out of sixteen questions			
Financial information		2007 remuneration of the company representative (CEO) ***	2,374,033 Euros			
		Criteria for determining and fixing remuneration of the CEO and his main directors	See chapter 15 in the 2007 reference document			
		Number of share purchase options awarded to the CEO and the ten largest assignments in 2007				
	• options awarded to the Chairman	110,000				
	• ten largest awards	350,000				

* To the company's knowledge, based on declarations of directors and excluding legal waivers.

** In addition to 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. The most recent formal evaluation was held in 2007.

*** Total gross remuneration including fixed and variable remuneration, attendance fees paid during the year 2007 by the company and its subsidiaries, and benefits in kind.

As a company with a board of director 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 assur-

ance 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, on respecting competition law.

→ Environmental and awareness training on sustainable development (*see page 85*).

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 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

LATENCY

Mobilization limited to research worker communities, initiation of debates by NGOs (e.g. nanotechnologies, biotechnologies).

Foresight

Institut Veolia Environnement (IVE)

Created in 2001

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 recognised 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^G and Sapiens^G) 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.

→ Find about Institut Veolia Environnement news on <http://www.institut.veolia.org/en/>

Sustainable Development Visiting Committee

This Committee was created in 2006 and its objective is to help Veolia Environnement in making progress with its views and its research on sustainable development.

→ See committee's opinion, page 4.

EMERGENCE

Public awareness is gradually increasing as a result of repeated alerts from NGOs and the scientific community (e.g. biodiversity^G, human rights).

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^G about global risk management procedure

Research management

→ See page 24.

Health management

Created in 2001.

Mission

- 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^G 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^G.
- to perform ethics audits at all the Group's sites.

Europe services

Veolia Environnement has a permanent office in Brussels, close by the European institutions.

Campus Veolia Environnement

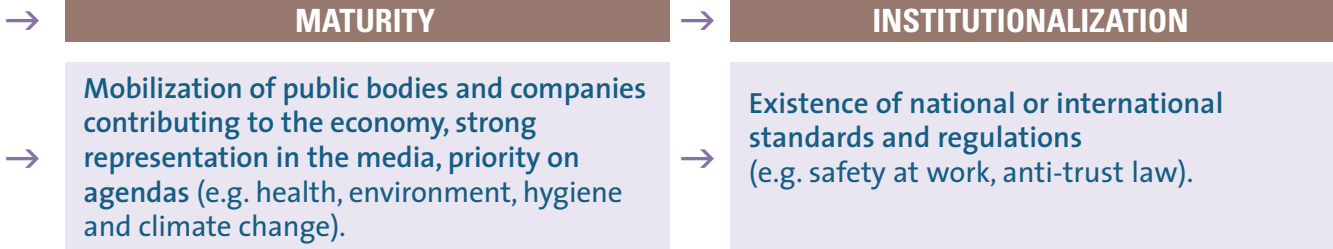
Training center created in 1994 - About twenty training centers (in France and internationally).

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.

Functional management rely on the Group's

in defining their objectives. It encourages adaptation of our contractual models and our commercial offers to make sustainable development a competitive advantage and a value creation lever.



Guidance

Environmental management system^G

- 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^G 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.
- scope: 42 entities in 19 countries (8 businesses added in 2007), namely 75% of 2007 revenue made with local authorities.

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

Compliance

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 antifraud 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 irreproachable 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.

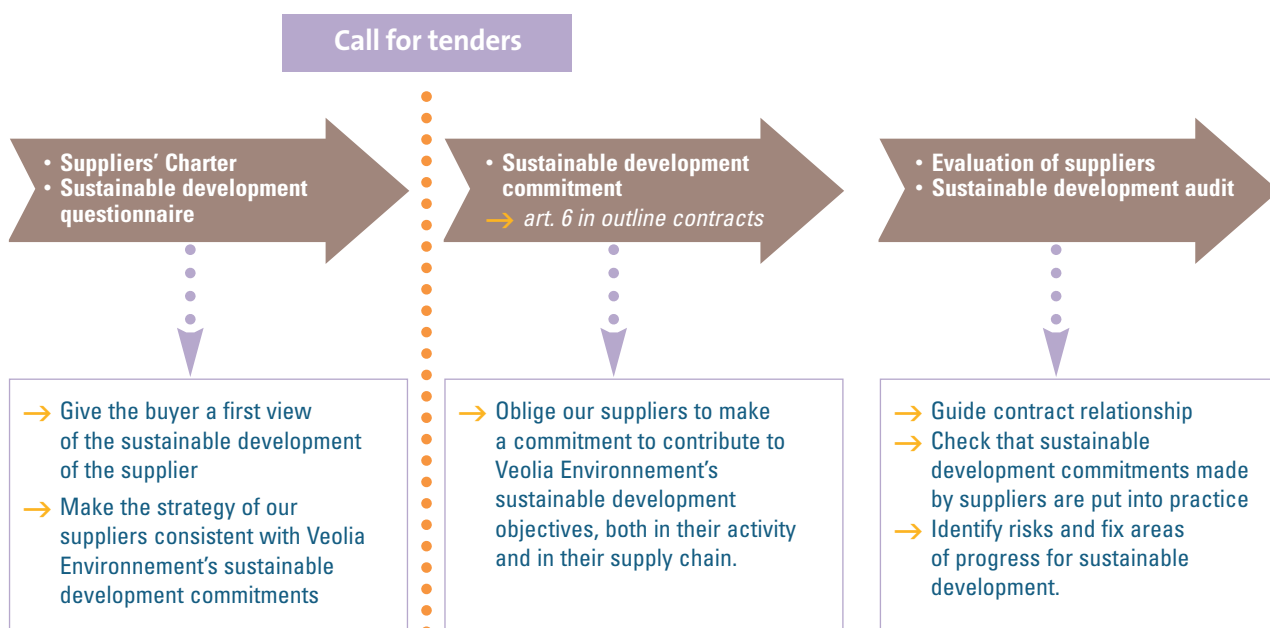
All financial information is also available on the financial page of the Veolia Internet site (www.veolia-finance.com).

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).



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.

BEST PRACTICE

●●● 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 sanitation⁵.

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.





Recycling campaign in Trafford, United Kingdom

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.

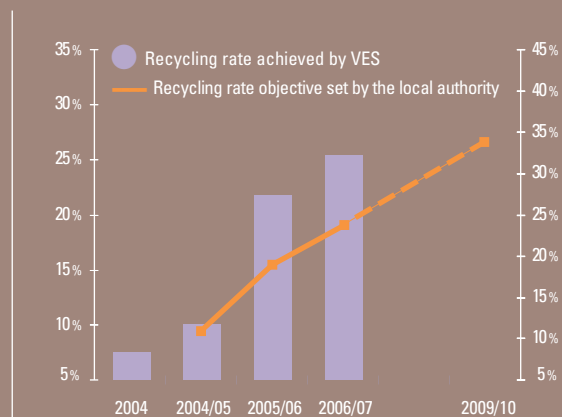
BEST PRACTICE

Trafford 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 25% 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 favourable context of integrated waste management contracts.



/ 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

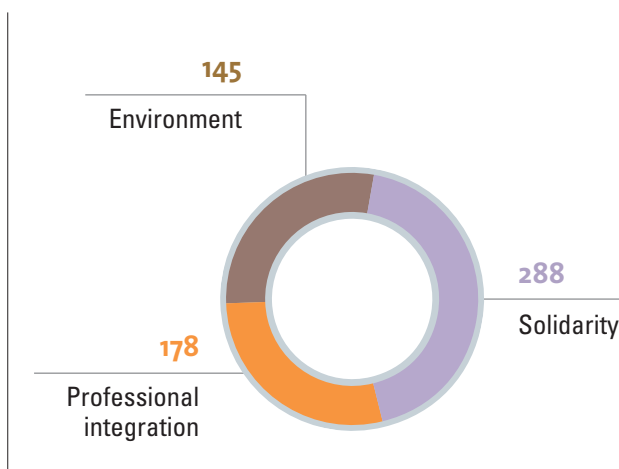
in water, explained the plans and missions of the company and SEEN (its Nigerian subsidiary), and identified common work areas. The discussion was strengthened by site visits. Participants congratulated the Group on this initiative and confirmed their intention to continue the communication and cooperation.

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.

→ <http://www.fondation.veolia.com/en/>



/ BREAKDOWN OF THE 611 PROJECTS SUPPORTED BY THE FOUNDATION SINCE ITS CREATION

FOCUS

A⁺⁺

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.



Responsible lobbying

Veolia Environnement is at the heart of major public challenges: access to essential services, the environment, public health, climate change. The Group makes submissions to the different institutions concerned so as to perform its activity under optimum conditions, contribute to improving the quality of life and anticipate changes in the management of services for the environment.

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 contribution 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 international negotiations (the Kyoto protocol^G, CDM^G, JI^G) to anticipate how its activity sectors might be involved in matters related to climate change and reduction of GHG^G emissions.

Concerning the European Union's Emission Trading Scheme^G, 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 system 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 emissions in sectors not subject to the ETS^G to integrate them into their projects, including targeted incentives (climate plans) and domestic projects^G (in France) that can give the rights to emission 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.



European Parliament in Brussels, Belgium

Electricity produced by cogeneration

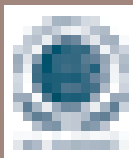
Cogeneration^G is expanding in all European countries. The general economic balance of cogeneration contracts in France has been modified due to new less favourable tax arrangements. Veolia Energy-Dalkia is working with the industry to correct this situation, after the economic and environmental advantage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

Energy recovery from waste

Veolia Environmental Services is defending different forms of energy recovery from waste (capture and recovery of biogas^G from landfill^G, incineration with energy recovery, methanisation^G, production of biofuels^G and alternative fuels) with European authorities.

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 (CityNet);
- 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.





Patagonia, Argentina

Access to essential services

Price of services

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.

Access to sanitation

Lack of sanitation^G 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 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^G 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.



●●● 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^G 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^G 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^G 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.

FOCUS

●●● Responsible management of services for the environment

Veolia Environnement, extending Group research initiated at the Environment Grenelle, has published a document entitled *Proposals for responsible management of environmental services*.

This document starts by presenting technical solutions put forward by Veolia, but it also describes changes that it considers necessary, particularly in terms of governance, to favour good management of services for the environment.

The document can be downloaded from the Internet site www.sustainable-development.veolia.com.

Veolia Environmental Services also contributes to debates on waste management policy. Among other tasks, it participated in the book *Du rare à l'infini, panorama mondial des déchets 2006* (From Waste to Resource, 2006 World Waste Survey) with Cyclope, the leading European institute for research on international markets for raw materials and commodities.



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^G. 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

Challenge

Sub-challenge

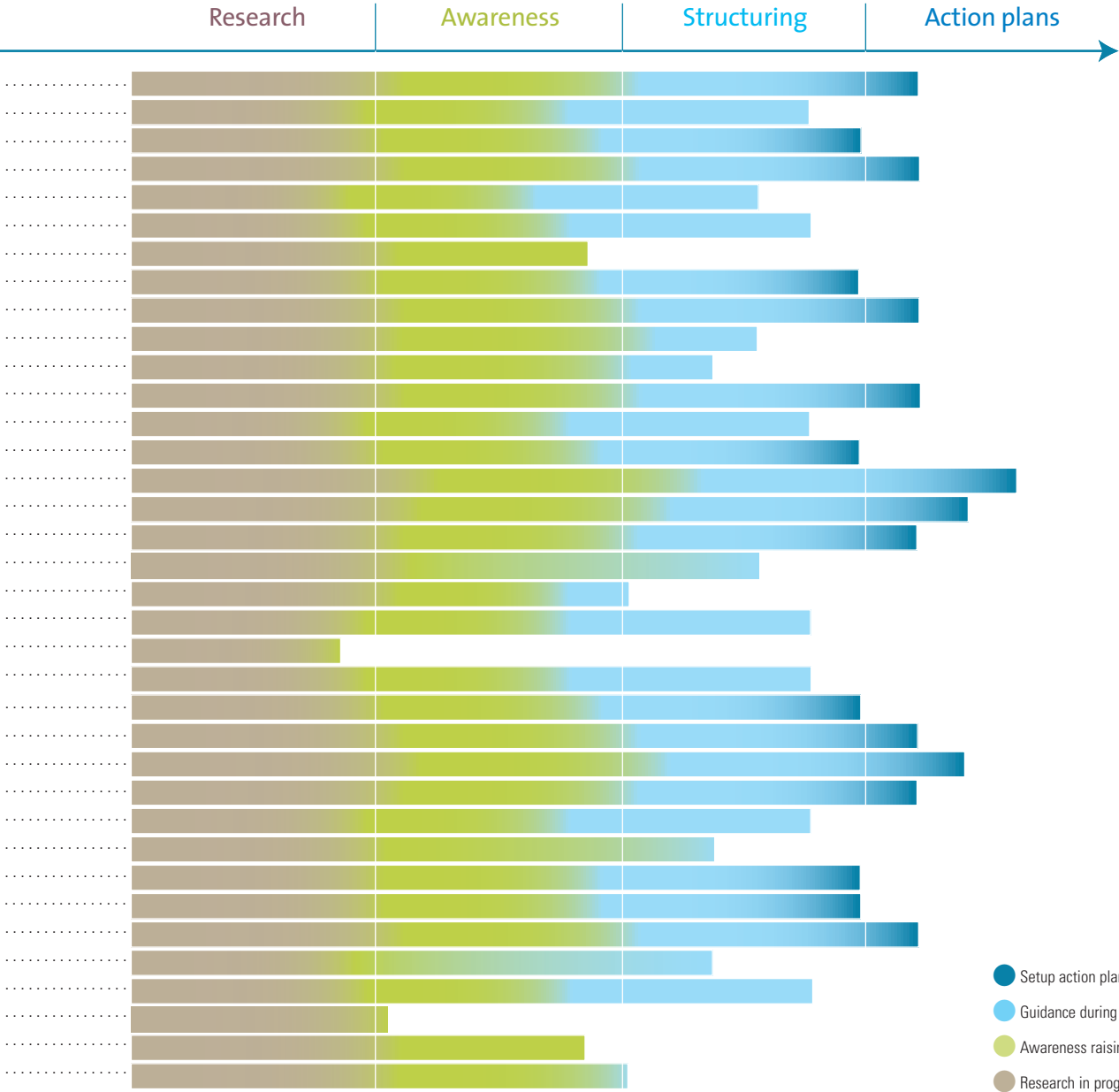
COMPLY AND ADAPT TO REGULATIONS	<ul style="list-style-type: none"> Competition law Make sites comply Detection and prevention of frauds Anticipate environmental regulations
CHANGES IN CONTRACTUAL MODELS	<ul style="list-style-type: none"> Adaptation to the capability of local consumers to make contributions Adaptation of proposals Adaptation of the contracts in emerging countries
CLIMATE CHANGE AND ENERGY	<ul style="list-style-type: none"> Decarbonated energy mix Renewable energy Control of methane emissions Other GHGs^G
EFFICIENCY AND RECOVERY OF RESOURCES	<ul style="list-style-type: none"> Water Biomass^G - soils Secondary raw materials^G
HEALTH CHALLENGES	<ul style="list-style-type: none"> Drinking water and sanitation^G Legionella Atmospheric pollution Indoor air quality
BIODIVERSITY AND ECOSYSTEMS BALANCE	<ul style="list-style-type: none"> Preservation of biodiversity^G Impact of activities on ecosystems / LCA Urban biodiversity
SAFETY AND HEALTH OF EMPLOYEES AT WORK	
MANAGEMENT OF SKILLS	<ul style="list-style-type: none"> Growth and replacement of workforce Development of different businesses Career development and continuous training
CULTURAL DIVERSITY	<ul style="list-style-type: none"> Internationalisation of recruiting Contribution to local jobs
RELATIONS WITH STAKEHOLDERS	<ul style="list-style-type: none"> Increased awareness of responsible consumption Contribution to participative debates and responsible lobbying Relationships with international non-government organizations Relationships with the local communities
URBAN POPULATION GROWTH	<ul style="list-style-type: none"> Contribution to Millennium Development Goals Human rights
INNOVATIVE CHANGES	<ul style="list-style-type: none"> Converging Technologies* CO₂ capture / storage (evaluation) "Decentralized energy"^{**}

* Nanotechnologies, biotechnologies, information technologies and cognitive sciences

** Production of energy, where it is used, and not from a remote power station

the Group. 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.



- Setup action plan
- Guidance during organization
- Awareness raising
- Research in progress