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The *ginkgo biloba* is the last descendent of a family of trees that flourished across much of the planet over 200 million years ago. All that remains of them now is a wild-growing population in Eastern China. Highly resistant to pollution, insects and disease, this plant is often used in urban replanting programs. It is also thought to have curative powers in preventing memory loss. We have chosen the ginkgo biloba (already used to illustrate our sustainable development reports for 2003 and 2004) as a symbol of the continuity of our approach to sustainable development.



Data required under the French New Economic Regulations Act is provided in the 2005 Registration Document (Document de Référence):
 - Chapter 17.2 for social information
 - Chapter 6.3.3 for environmental information.

© Indicates that a definition of the term has been given in the glossary at the end of the report.

* Global Reporting Initiative (GRI)©

Correspondence with key indicators is based on version 3 of the Guidelines, referred to as G3. The third version was still undergoing testing at the date of publication of this report (May 2006). Key GRI indicators not used are presented on page 68. www.grig3.org

I urge all my colleagues to make our commitment a daily reality



The outstanding feature of 2005 for Veolia Environnement was the drive for greater transparency and clarity, symbolized by our rebranding. Across the world, our 271,000 employees in water, waste management, energy services and transportation now operate under a single brand name. Beyond its formal significance, this change reflects our commitment to discussing our responsibilities transparently and clearly.

Also this year, we extended our efforts to promote understanding of the challenges we face in the field of sustainable development. We placed special emphasis on our ongoing dialogue with the non-financial rating agencies: in the second part of its report, BMJ Ratings noted several advances, as witnessed by the satisfactory rating achieved by Veolia Environnement in the French version of the Global Reporters survey. Our only disappointment, in this respect, was our non-inclusion in the DJSI ranking. We will be seeking ways to remedy this.

These tokens of recognition are gratifying, above all because they reflect concrete advances on such key issues as safety in the workplace, for example. I am proud to report, for instance, that both accident frequency and severity rates fell once again in 2005. Our main challenge, in the coming years, will be to move forward with

our review of our business model. This review notably takes account of the way this business model is evolving in response to changes in the societies in which we operate, as well as the social, economic and environmental constraints at work in them.

This 2005 sustainable development report places still greater emphasis on explaining the strategy behind our businesses. We go to considerable lengths to explain how these businesses are evolving from a traditionally volume-driven model toward a mixed model, in which conserving resources and reducing negative impacts play a growing role in our value-creation process. Also in this 2005 edition, we pursue our efforts, begun last year, to report on our responsibilities in respect of sensitive issues, our understanding of those responsibilities and how we are assuming them. For example, we discuss the issues of basic labor rights, diversity, climate change, conserving resources, biodiversity, and our own impacts on the environment. We also devote a special section to our presence in developing countries, which is more significant than a purely revenue-based analysis would suggest.

These discussions in terms of challenges are important: they reflect our determination to think of what we are doing in the light of the aspirations

of the world around us and of our stakeholders. I hope, moreover, that these presentations will open the way to fruitful dialogue. I warmly encourage all those interested to write in with their comments and contributions to developpement-durable@veolia.com.

In the coming months, I want us to go on making our commitment to sustainable development within Veolia Environnement a practical reality, in a spirit of dialogue and transparency. I know just how committed everyone inside the company is to this. I urge them all to make this part of their daily work, integrating it into their professional practice. We should remember, too, that sustainable development is not just a constraint, but also a source of opportunities. This applies to every member of our personnel and to the company as a whole, for the benefit of our customers and our fellow citizens the world over.



HENRI PROGLIO
CHAIRMAN AND CHIEF
EXECUTIVE OFFICER





Strategy

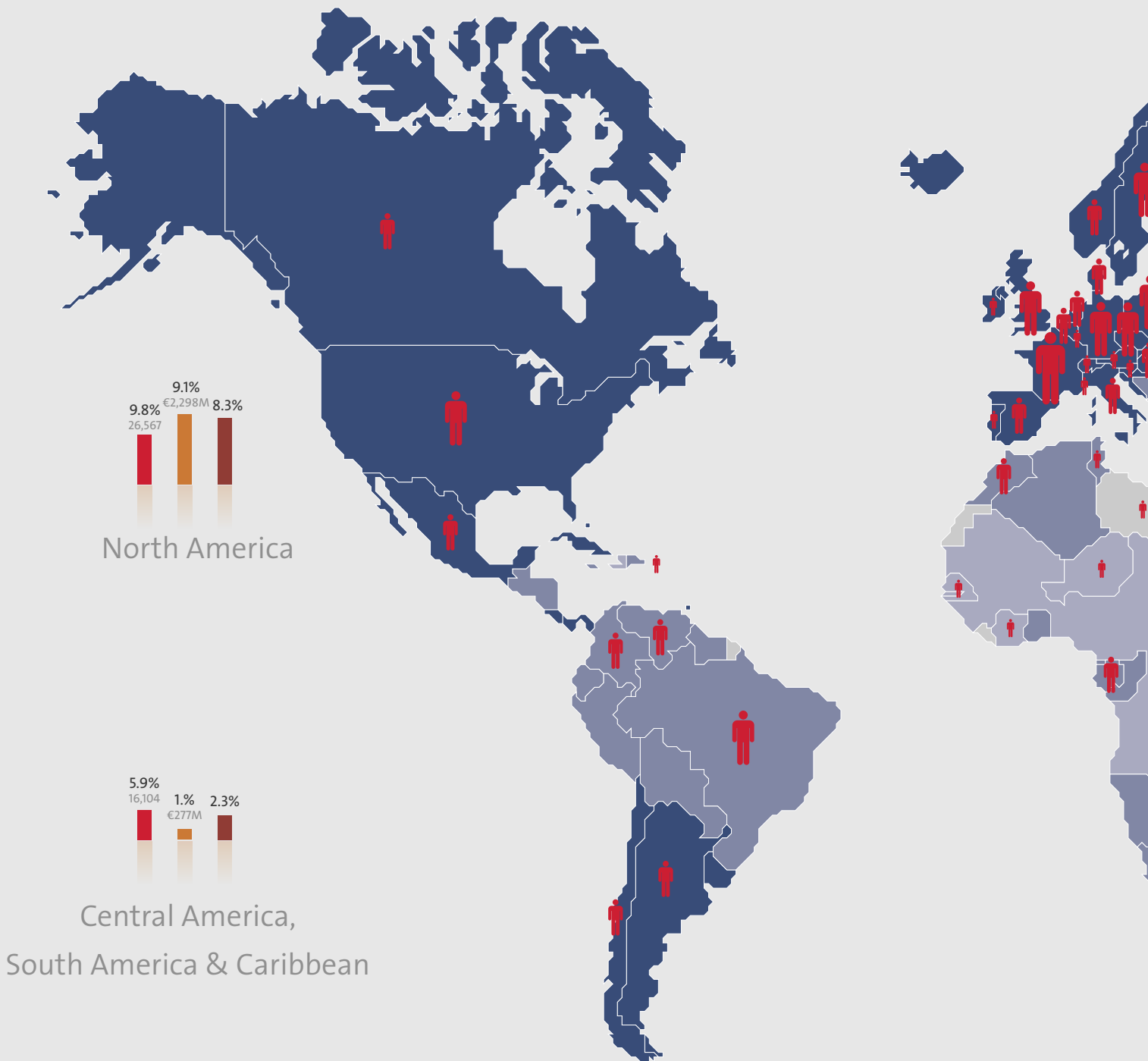
Veolia Environnement provides its clients with solutions to their problems in the areas of water, waste management, energy services and transportation. The company is thereby responding to the profound changes affecting the modern world, by reconciling them with the demands of sustainable development.

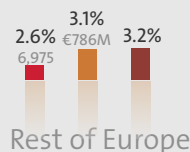
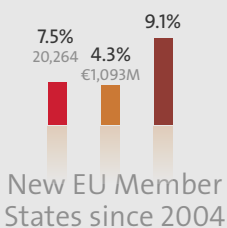
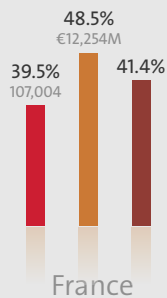
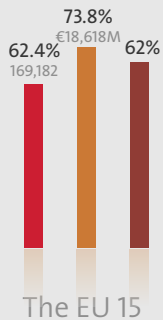
To answer this challenge, we must continuously adapt the way we conduct our activities and transform our business model. In this report, we document the efforts being made at Veolia Environnement to understand and respond to these great issues, while respecting the diversity of local situations in which our company operates.

A company with operations worldwide

This map depicts the diversity of the situations in which Veolia Environnement operates. The Human Development Index (HDI) defined by the United Nations Development Program (UNDP) uses three criteria to measure a country's average level of development, namely life expectancy, the adult literacy rate and living standards. This vision goes beyond economic considerations alone to include broader social criteria. In 2005, 88% of Veolia Environnement employees worked in high-HDI countries, representing 95% of its revenue.

This map also presents Veolia Environnement's headcount on each continent, together with its revenue, and revenue adjusted for purchasing power parity (PPP)[©]. The PPP index gives a more accurate picture of the volume of our business in various parts of the world. It takes into account the disparities in living standards and the cost of living between different countries: €1 does not buy an equal quantity of goods and services in the United States, India and Egypt. The PPP defined by the UNDP and the World Bank adjusts for those differences.

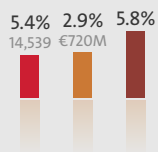
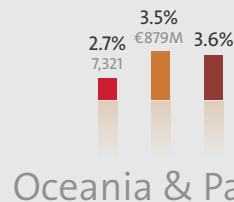
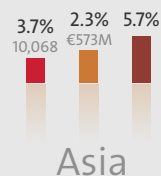
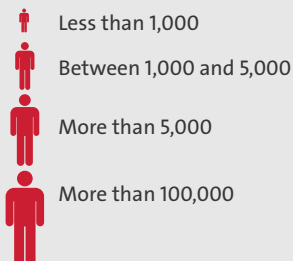




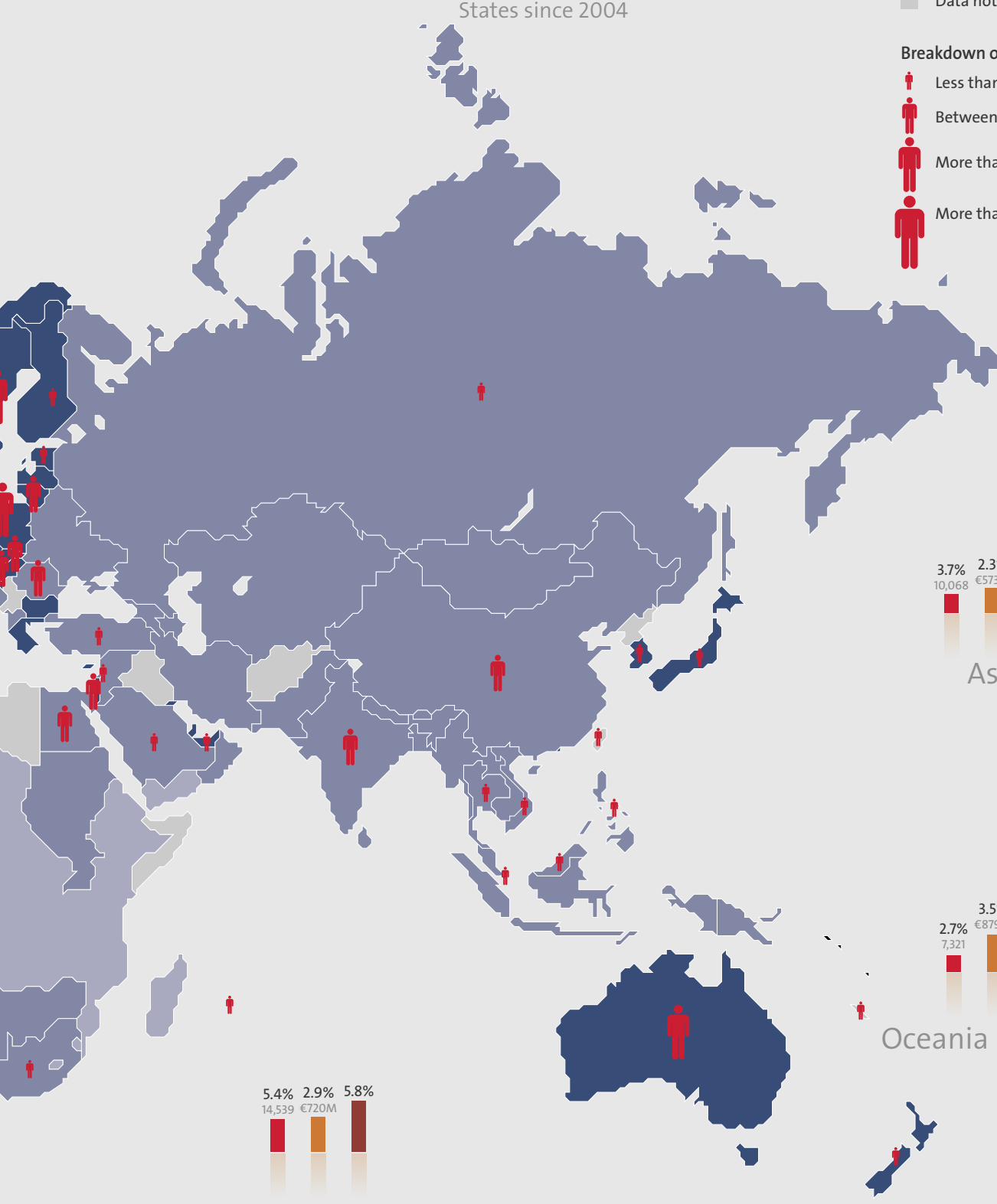
■ Headcount at Dec. 31, 2005
■ Revenue* at Dec. 31, 2005
■ PPP adjusted revenue at Dec. 31, 2005
** Revenue from ordinary activities*

■ High HDI
■ Medium HDI
■ Low HDI
■ Data not available

Breakdown of employees by country

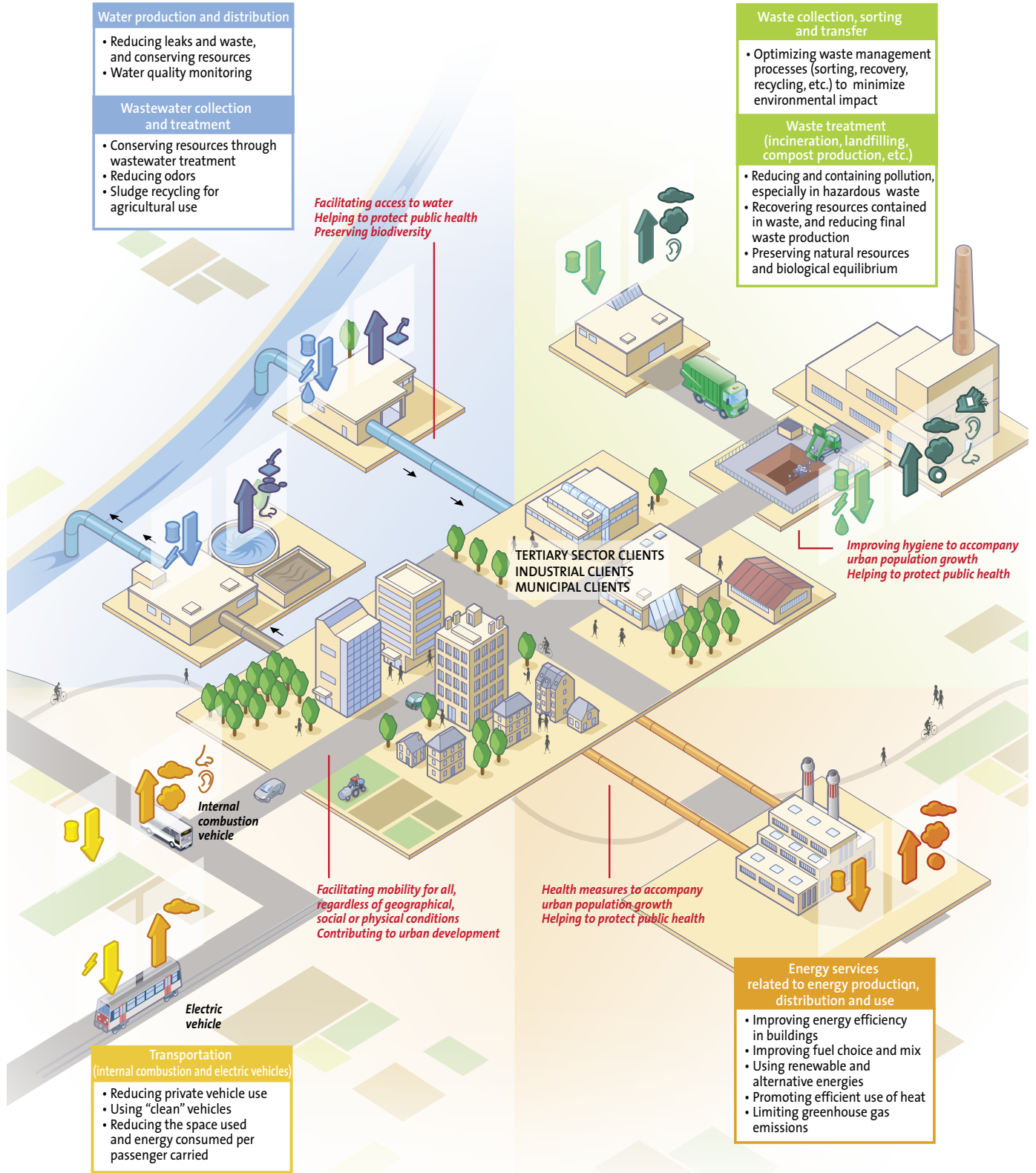


Africa & Middle East



The synergies between our activities

Our activities contribute to sustainable development through their impact on the environment and society.



- Main resources consumed
- Fossil energy
- Electric power
- Water
- Environmental impact
- Use of natural resources
- Discharge
- Leachates
- Combustion waste
- Air pollution
- (CO₂, methane, GHG, etc.)
- Sludge
- Final waste
- Noise
- Odors

Key figures

Veolia Environnement

271,153 employees

in **64** countries (at Dec. 31, 2005)

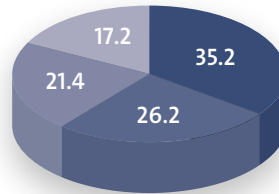
2005 revenue

€25.2 billion

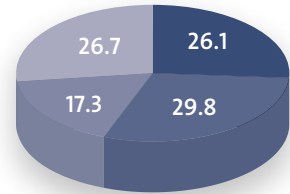
One core business:
environmental solutions

4 divisions

2005 revenue⁽¹⁾
as %



Work force at
Dec. 31, 2005⁽¹⁾⁽²⁾ as %



■ Water ■ Waste management ■ Energy services ■ Transportation

⁽¹⁾ Including Proactiva

⁽²⁾ The difference represents employees at headquarters (Veolia Environnement SA) and Campus Veolia Environnement

Key figures of our divisions

VEOLIA WATER*	VEOLIA ENVIRONMENTAL SERVICES*	VEOLIA ENERGY (DALKIA)	VEOLIA TRANSPORT
<p>2005 key figures</p> <ul style="list-style-type: none"> → Revenue: €8.9 billion → 70,765 employees in 57 countries → World No. 1 in water services <p>Global technical data</p> <ul style="list-style-type: none"> → 310,000 km of water distribution networks → 115,000 km of wastewater collection systems → 4,170 water production plants → 2,906 wastewater treatment plants (municipal wastewater) → 65 million people supplied with water service → 45 million people supplied with wastewater service[©] 	<p>2005 key figures</p> <ul style="list-style-type: none"> → Revenue: €6.6 billion → 80,754 employees in 35 countries → World No. 2 in waste management <p>Global technical data</p> <ul style="list-style-type: none"> → 58.6 million metric tons of waste treated → 676 treatment sites → 2.28 million metric tons of CO₂ equivalent greenhouse gas[©] emissions avoided → 6.2 million MWh energy produced from landfilled and incinerated waste 	<p>2005 key figures</p> <ul style="list-style-type: none"> → Revenue: €5.4 billion → 49,916 employees in 35 countries → European No. 1 in energy services <p>Global technical data</p> <ul style="list-style-type: none"> → 88,000 energy systems managed → 650 heating and cooling networks managed → Heating supplied to 14 million people → 81,500 MW of heating capacity managed → 5,850 MW of decentralized installed power capacity, of which 4,025 MW produced by cogeneration[©] → 5.1 million metric tons of CO₂ avoided through cogeneration 	<p>2005 key figures</p> <ul style="list-style-type: none"> → Revenue: €4.3 billion → 72,302 employees in 26 countries → European No. 1 private operator in public transportation <p>Global technical data</p> <ul style="list-style-type: none"> → 30,757 vehicles operated (of which 26,249 local and long-distance buses, 3,259 rail vehicles, 974 taxis and 55 boats) → 1.6 billion km traveled → 2.5 billion journeys

* Including Proactiva

Stockholm, Sweden



An integrated sustainable development strategy

Environmental solutions are our business, which means we can never be content to treat sustainable development merely as a question of image, reputation or behavior. Environmental and social responsibility, together with integration within the local community, are part of our daily work. Our responsible approach is illustrated in all our technical and business actions, and it is central to our value creation strategy for the decades to come.

Sustainable development is more than a philosophy. It has prompted growing awareness of such issues as global warming, public health, and access to essential services in the developing world. This in turn is fueling new aspirations, driving societal change, and giving rise to the enactment of national, European and international standards, as well as to public policies that have a direct impact on the conditions in which we operate. That explains why our commitment to sustainable

development is not incompatible with our business performance; in fact, it is actually driving changes in our activities, practices and business proposals. This is what allows us to continue to create value in an evolving world.

1. Our changing business model

The services we supply our customers are changing. Increasingly, customers demand less resource-hungry services, calling rather for solutions that reduce negative impacts.

In some of our businesses, such as water and waste management, this implies a radical shift in our vision. Profitability, in these activities, used to entail generating large volumes (e.g., the number of cubic meters produced, distributed or treated) on a high fixed-cost base. For some time now, though, it is no longer enough to supply a basic service, to provide drinking water to consumers, or to dispose of waste. A new logic has entered the equation, one based on quality and curbing

impacts. Water, for instance, is a food product in its own right; it is required to satisfy dozens of public health criteria, and those criteria are changing all the time, as new risks are identified. Waste, meanwhile, must be eliminated without damage to soil or air quality.

Nowadays, the challenge is tougher still, since it entails developing solutions leading to rational use of scarce resources such as water and energy. These solutions seek to treat waste as a partially reusable resource via sorting and recycling, and by reducing volumes treated; some of this waste is now burned to produce energy, moreover.

On this last point, our strategic decision not to act as a primary energy producer has consistently allowed us to build our services around the twin logics of energy conservation and energy quality.

Transportation may appear to be exempt from this logic. After all, public transportation is an alternative to the more disruptive, more polluting



individual solutions. At first sight, the growth in volumes ought to be a positive development. But we need to look beneath the surface: our transportation offers seek to rationalize the amount of space used, eliminate unnecessary journeys, and to adjust the size of the vehicles used to needs after having analyzed these precisely.

2. A virtuous approach

This approach is virtuous from an environmental standpoint, and for the company too, since it creates economic value.

This is allowing us to develop new types of services that fully exploit our expertise in environmental health, our industrial know-how, our pooled research and development capabilities, together with our ability to manage our risks and those that our clients contract out to us. We are thus able to share the experience we have accumulated in a wide range of technical areas and in distinct parts of the world.

Through this approach, we now use carbon value to promote more environmentally effective solutions on a financially sound and realistic basis. The market mechanisms and projects that grew out of the Kyoto Protocol[©] are not only effective instruments for fighting global warming, but also a powerful lever for raising the quality of environmental treatment globally, in the developed countries and the emerging world alike.

This vision makes the economic dimension of sustainable development fully meaningful. For our stakeholders, it guarantees the depth of our

commitment and occupies a central position in our strategy designed to secure the long-term development and survival of our company.

In the social sphere too, we are continuously extending our vision of our responsibilities. Today, for example, we manage cultural diversity on a global scale, as evidenced by the fact that 60% of our employees are non-French.

Our community is expanding as we grow, and it now includes thousands of Egyptian, Gabonese, Moroccan, Brazilian, Colombian, Mexican, Venezuelan, Chinese, Indian and other employees. Respecting their differences while offering each of them a common foundation of opportunities and rights, in a spirit of equality, is a huge challenge that cannot be shirked.

Our activities create an abundance of jobs, and we have a duty to enrich those jobs by facilitating employee mobility, offering abundant training opportunities and attractive careers, placing technology at the service of people, while instilling in each of our employees a sense of personal responsibility for the environment.

3. Institut Veolia Environnement: an environmental think tank building a culture of long-term, responsible and sustainable reflection

By the very nature of its businesses, Veolia Environnement takes the long view in planning its activities. When it invests to provide essential services, it enters into decades-long commitments vis-à-vis its customers. Because these activities impact the quality of life and preservation of the environment,

we obviously need to consider how potential future developments might affect these services.

That is why Veolia Environnement's strategic vision is based on a time frame of 20 to 50 years.

High-quality research and a strong emphasis on personnel training, combined with the necessity of thorough long-term planning, are practical expressions of this forward-looking culture.

The company established its think tank, Institut Veolia Environnement, precisely for the purpose of anticipating economic, social and environmental developments. The institute's prime mission is to detect the deep-lying trends liable to have a major long-term impact on the conduct of the environmental solutions businesses.

Studies carried out by the institute's academic partners and the Foresight Committee (see page 30) have already provided material for top management's strategic thinking. Topics covered have included work on the prevention and consequences of climate change; the links between environment and health; anti-business protest; the environmental impact of urban growth; and the emerging new relationship between the public and the private spheres, to name but some.

This forward-looking approach seeks not only to introduce a forward-looking perspective into operational decisions, but also to promote dialogue with Veolia Environnement's stakeholders on the environmental issues shaping the future of humanity and its environment.

Veolia Water

Vision

Antoine Frérot

Chief Executive Officer of Veolia Water

Managing water efficiently depends on the development of increasingly sophisticated technologies and management know-how.

The first challenge is quantitative: rapid urban growth and expanding industrial and agricultural demand are putting heavier pressure on available resources.

Technology provides some solutions: recharging aquifers, desalinating seawater and recycling wastewater can help to boost the quantity of water available in certain cases.

But too much water is wasted either through network leakage, often on a massive scale, or more diffusely through over-use of a resource whose scarcity many people fail to grasp. Combating this wastage is vital everywhere.

The second challenge is qualitative: water is a food product, and its quality is a major health issue. Because wastewater pollutes resources, it must be treated thoroughly, both as a matter of public health and for the preservation of the environment.

The third challenge concerns access to water. This has been pretty well resolved in the developed countries, but is still far from being achieved in the developing world.

We firmly believe that a combination of international solidarity, good local government, and the expertise of professional private-sector operators can spell success, provided the responsibilities of each of the parties involved are clearly defined and properly balanced. That is what it takes to make the right to water a practical reality.



VIEWPOINT

Benoît Miribel

Director General of Action Against Hunger (AAH) France

Veolia Environnement has initiated a dialogue aimed at formulating proposals to improve access to water and sanitation. While overall responsibility for water lies with elected representatives, they can outsource its operational management to private-sector operators that have the financial muscle to make the necessary investments and manage these services. Against that background, Veolia Environnement must seek to adapt its know-how to local conditions, by involving the population in the implementation, management and maintenance of water programs. Further, as part of the drive to achieve the Millennium Development Goals, it is vital to take on board the needs of the most vulnerable groups of society, even though these are frequently insolvent. Veolia Environnement already provides ad hoc support to the work of NGOs such as Action Against Hunger (AAH), and it looks set to increase this support, given its stated determination to "promote the right to water as an imperative of solidarity."

1. Managing the water cycle responsibly

Protecting water resources

The first need, in order to guarantee better quality initial water resources, is to improve wastewater treatment services. This implies stepping up preventive measures such as protecting water intake areas. It also implies both reducing chronic pollution and combating accidental pollution caused by human activity.

Optimizing management

Veolia Water's response to this challenge is to monitor resource quality and quantities, managing its pumping in a long-term perspective. Veolia Water is working to conserve water by tackling network leakage, and has set a recurring target of 80% network efficiency[©] in the EU 15. Also, it takes strenuous measures to manage demand by placing

responsibility in the hands of consumers and industrialists alike. To that end, 93% of water customers were equipped with a metering system in 2005.

Developing alternative resources

To deal with situations of water stress, Veolia Water uses a variety of techniques such as recycling wastewater, desalinating seawater, and recharging aquifers (see pages 58-59).

2. Responding to present and future needs

Distributing healthier water

Veolia Water carries out regular tests and measurements in order to respond immediately to any event liable to impair the quality of the water it distributes, and to inform consumers via its telephone alert service. Beach water quality is another important public health issue, and this

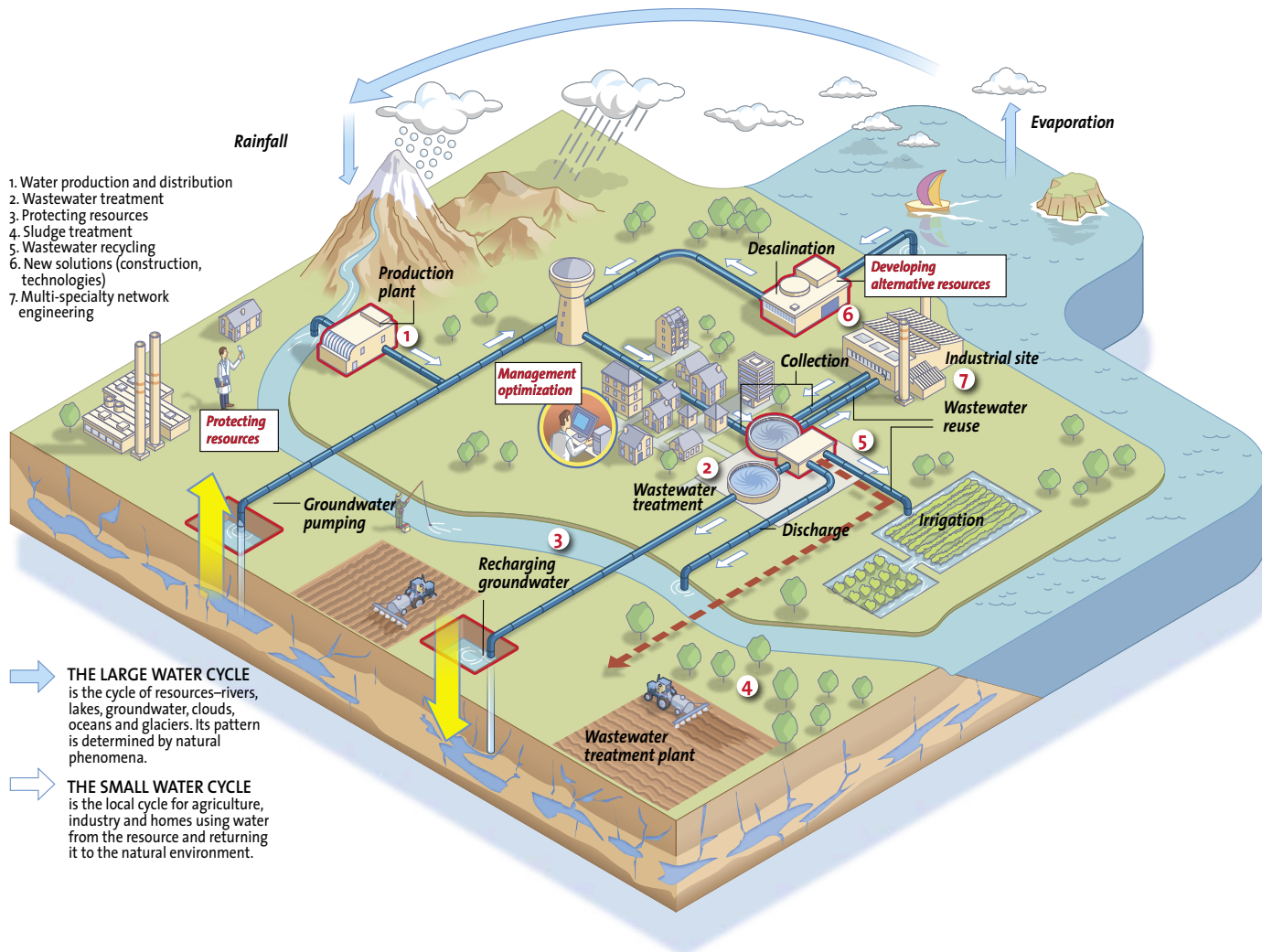
is maintained by means of wastewater and stormwater collection and treatment. In addition, Veolia Water has set up a preventive surveillance system in France to control the quality of beach water, in conjunction with the national association of elected officials representing coastal regions (ANEL).

Transferring our expertise

We have opened training centers to transmit our operational know-how the world over (including China, Gabon, Morocco, the Czech Republic, Germany, France, and elsewhere).

More water for more people, with the same resources

Thanks to well-planned, efficient management of infrastructures (including the construction and maintenance of infrastructure integrated into their environment, timely renewal of networks, and



remote detection of leaks), we are supplying water to more people with the same resources.

3. Promoting sound governance of water services

Sound governance is key to improving access to water and wastewater services.

Water is a local public service

It must therefore be placed under a local governance system. Effective water policies depend on a clear and transparent division of responsibilities between public authorities, service operators, and providers of funds. Moreover, the private and public financing needed to fund these services should be backed by guarantees to ensure they will be properly used over the long term. It is therefore of prime importance to design and implement a legally and financially sound system of governance.

Broader financial solidarity

It is unrealistic to expect the customer to cover the full cost of the water service, especially in developing countries.

Three forms of solidarity can be combined. Solidarity between customers to reduce the basic price of consumption; geographical solidarity between town and country; and inter-activity solidarity, as resources from

energy services can sometimes be used to finance water service investment.

Securing people's support for water policies

This support is a key factor for success. The price of a service as essential as water must be socially acceptable. We factor in the population's ability to pay in order to promote suitable pricing strategies.

⊕ Improving drinking water quality by protecting waterintake areas from specific or diffuse pollution (NEHAP[®] action 10)

We aim to avoid contamination of groundwater by fertilizers and pesticides by establishing protective barriers around well fields. We also focus on providing independent wastewater treatment systems in order to preserve this resource effectively. Illustrating the importance of this type of protective measure, the drinking water plant at Kermorvan, in Brittany (France), is supplied by water from the Milin Izella reservoir. Because there is no alternative source in the area, it is absolutely vital to protect this water source.

Veolia Environmental Services

Vision

Denis Gasquet

Chief Executive Officer of Veolia Environmental Services

Our business activity has undergone radical change over the past two decades. Originally, it consisted of collecting and disposing of the waste generated by communities, simply to make urban life possible. Later, as environmental concerns moved to center stage, we sought to limit the impact of our activities on the environment by controlling emissions.

Today we have entered a new era, where the focus is on saving resources. As a result, we have a new business activity: recovery and recycling.

This activity can take various forms: materials recovery, with the production of recycled materials; waste-to-energy conversion, with the production of electricity from incineration or landfill gas, for example; or agricultural recycling, with the

production of compost. Through these different treatment chains, a growing proportion of what was previously regarded as waste becomes a resource, with a second lease of life.

We are thus contributing directly to the promotion of renewable energies, conserving raw materials and combating global warming.

Lastly, Veolia Environmental Services has not lost sight of the fact that meeting the challenge of sustainable development depends on people's commitment. Some of our activities are labor-intensive.

We make every effort to ensure that our technical know-how is put to good use to train our employees and alleviate the boredom—and sometimes danger—involved in their tasks.



VIEWPOINT

Mathieu Glachant

Environmental economist at the Center for Industrial Economics of the Ecole des Mines in Paris (CERNA)

Challenge number one in waste management is to make the shift from a logic based on quantity, whereby companies traditionally receive payment for the volume of waste handled, to one based on quality. In addition to limiting its environmental impacts, Veolia Environmental Services must now engage in preventing and reducing waste at source. This implies rethinking its business model, placing the emphasis on recovery and recycling, and working with manufacturers to promote the eco-design of products and cut household waste volumes. Where the individual citizen is concerned, prevention can represent a business opportunity, through the promotion of the concept of taxing households on the volume of waste they produce. Other challenges facing the waste sector include initiating a dialogue with local residents hostile to the construction of new facilities, and adapting to conditions in developing countries. In those countries, it will be necessary to invent new solutions that draw on the expertise of private-sector operators while respecting the local situation, in particular the informal economy based on rag pickers.

1. Playing an active role in contemporary environmental issues

In a world of limited resources, it is essential that all players contribute to optimizing waste management. The first step is to reduce waste production at source. This can be achieved through the eco-design of products to make them easier to recycle, as well as through policy initiatives focused on the consumer. The next step is to increase at-the-source separation to facilitate materials recovery and recycling[®]. Then—and this is the role of Veolia Environmental Services—as much as possible of the recovered materials must be transformed and recycled by developing appropriate industrial systems and equipment. The final step is to sell the recycled products.

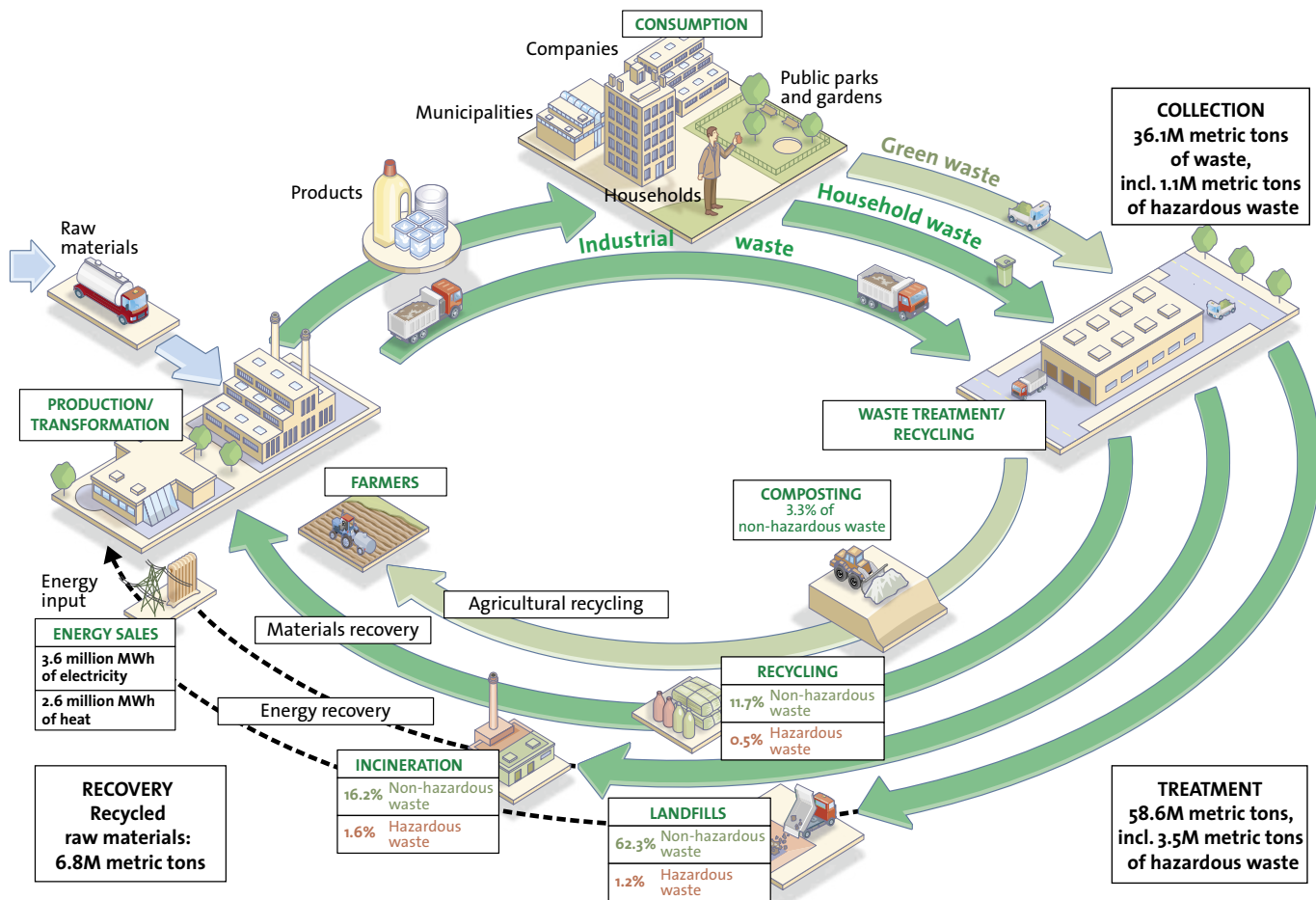
2. Turning waste into a resource

Recycling is already a reality for us. In 2005, we recovered and recycled materials totaling almost 15% of the waste that passed through our hands; we generated 6 million MWh of electricity; and we produced 700,000 metric tons of compost, which is used to combat soil depletion. We will be expanding and diversifying these activities in the coming years. We implemented several new materials recovery and recycling chains in 2005. Alcatel, for example, selected Veolia Environmental Services for the collection, dismantling, treatment and recycling of its waste electrical and electronic equipment in 27 countries. In addition, working with some of our industrial clients, we developed recycling processes for the metal

content (nickel, zinc and molybdenum) of their waste. We also played an active role in the development of processes to produce biofuel from waste.

3. Helping to reduce greenhouse gas (GHG) emissions

By its very nature, the waste management business helps reduce GHG emissions. Every time we recycle materials or produce energy from waste, we avoid the emissions associated with using fossil fuels and save natural resources. Collecting landfill gas also helps reduce GHG emissions. In addition, Veolia Environmental Services is building expertise in the development and certification of projects that aim to reduce GHG emissions, as provided for by the Kyoto Protocol. Two of our projects have been approved as Clean



Development Mechanism (CDM)[©] projects. Using a system to collect and recycle landfill gas in Alexandria, Egypt, we plan to reduce GHG emissions by 3.7 million metric tons of CO₂ equivalent over the period 2006-2015. This will enable us to trade the corresponding emission credits on the world market.

Veolia Environmental Services is also helping to develop a GHG emissions reporting protocol by participating in a working group made up of several waste

management operators, all members of Entreprises pour l'Environnement (EpE), a coalition of about 40 French companies committed to protecting the environment. By applying the protocol, companies will be able to identify and calculate their emissions, as well as the environmental benefits associated with using energy produced from waste or the reuse of materials. Lastly, we are developing alternative modes of waste transportation with a view to reducing our GHG emissions.

+ Reducing toxic atmospheric emissions due to industrial activity (NEHAP[©] action 7)

To meet the new standards on dioxin emissions from municipal waste incineration plant (MWIP), Veolia Environmental Services' MWIP operators have adapted their plant operating and maintenance methods, fitting even more efficient flue gas treatment systems.

In addition, Veolia Environmental Services recommends the introduction of semi-continuous monitoring of dioxin emissions at the incinerators it operates, and encourages clients to take steps to implement tougher controls, going beyond regulatory requirements.

www.sustainable.veoliaenvironnement.com/en/



BEST PRACTICE

The Guangdong hazardous waste treatment center (China)

A joint-venture company made up of Veolia Environmental Services and Shenzhen Dongjiang Environmental Co. Ltd. in China won the contract to design, build, and operate this center for 30 years. The project calls for the construction of a stabilization unit, incinerator and landfill, with a capacity of up to 1.7 million metric tons of hazardous waste. Phase two of the project provides for the development of units to recover and recycle solvents, heavy metals, and waste electrical and electronic equipment. This project, which forms part of the Central Chinese Administration's master plan for the protection of the environment, will also later serve as a research, training, education and community information center.

Veolia Energy (Dalkia)

Vision

Olivier Barbaroux

Chief Executive Officer of Veolia Energy (Dalkia)

A key aim of the energy services business is to deploy our technical expertise to reduce the quantity of energy needed to achieve a desired outcome, namely a given quantity of heat or cold, light, or motive power. Our remuneration for this service consists in a share in the resulting savings achieved by our customers.

This puts our business right at the heart of the logic of sustainable development, by promoting a form of growth that consumes fewer of our planet's scarce resources. Avoiding unnecessary energy consumption means avoiding polluting emissions and greenhouse gas emissions.

In that sense, the mobilization to combat climate warming gives added strategic relevance to our activity. By

placing a value on carbon emissions avoided, we are making it easier for our customers to opt for the solutions we devise, in the shape of cogeneration or the promotion of renewable energies[©], biomass in particular. Increasingly, today, investing in more energy-thrifty systems that produce less CO₂ is an economically attractive choice, not just a sign of environmental responsibility.

Our expertise is based on the fact that we manage more than 88,000 sites, including heating systems, public lighting, energy services for industrial and tertiary sector sites, etc. It is this deep and broad experience that enables us to keep pace with this trend, and often anticipate it even, developing innovative business proposals based on reduced consumption and higher quality energy.



VIEWPOINT

Jean Jouzel

Director of Research, French Atomic Energy Commission

We must dispose once and for all of the pernicious notion that we will find a miracle solution to the problem of climate warming when the time comes. We must start right away using all available means to cut greenhouse gas emissions by a factor of four in the coming 25 years.

Above all, we must reduce our energy consumption. We must cut our use of fossil energies and rely more on hydroelectric power and other renewable energies, as well as on nuclear power, even if this is not a universal solution. CO₂ sequestration too can contribute around 20% of the necessary gains.

The development of mass transit systems and energy efficiency are sources of business for companies such as Veolia Environnement.

Life will be impossible in a world with three times as much CO₂ as today.

1. Optimizing energy management

To optimize the primary energy conversion process from end to end, Veolia Energy (Dalkia) has developed an array of know-how adapted to the wide variety of systems it manages. These include boiler plants, cooling systems, motors, turbines, air compressors, distribution networks, and terminal equipment. Our know-how ranges from choosing the best combination of primary energy[©]; ensuring secure, optimal supplies; operating, maintaining and modernizing primary energy conversion facilities; managing distribution networks; and regulating terminal equipment for rational utilization of the service provided.

Long-term contractual solutions guaranteeing optimal energy and environmental performance
Veolia Energy (Dalkia) enters into

long-term partnerships with its clients to help them achieve their targets in terms of energy consumption, and reduction of pollution and greenhouse gas emissions. Veolia Energy (Dalkia) commits to both price and to greater energy and environmental efficiency, via performance-based contracts with appropriate incentives.

2. Social and health benefits

Veolia Energy (Dalkia) operates heating systems, energy services for residential units and urban infrastructure, and urban lighting systems. These enhance the comfort and convenience for people, reduce pollution, and provide appropriate, sustainable solutions for public authorities.

Its heating systems promote the use of renewable energies[©] and recovered energy, while offering stronger guarantees in terms of safety

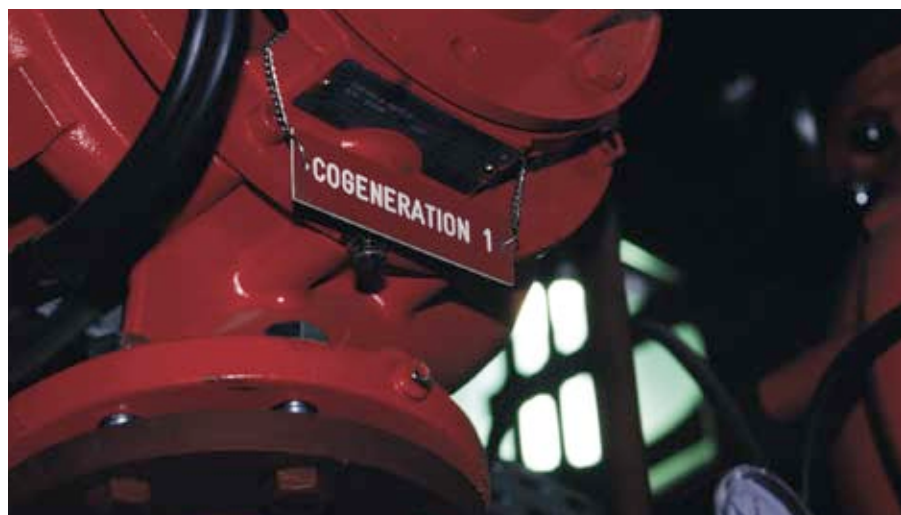
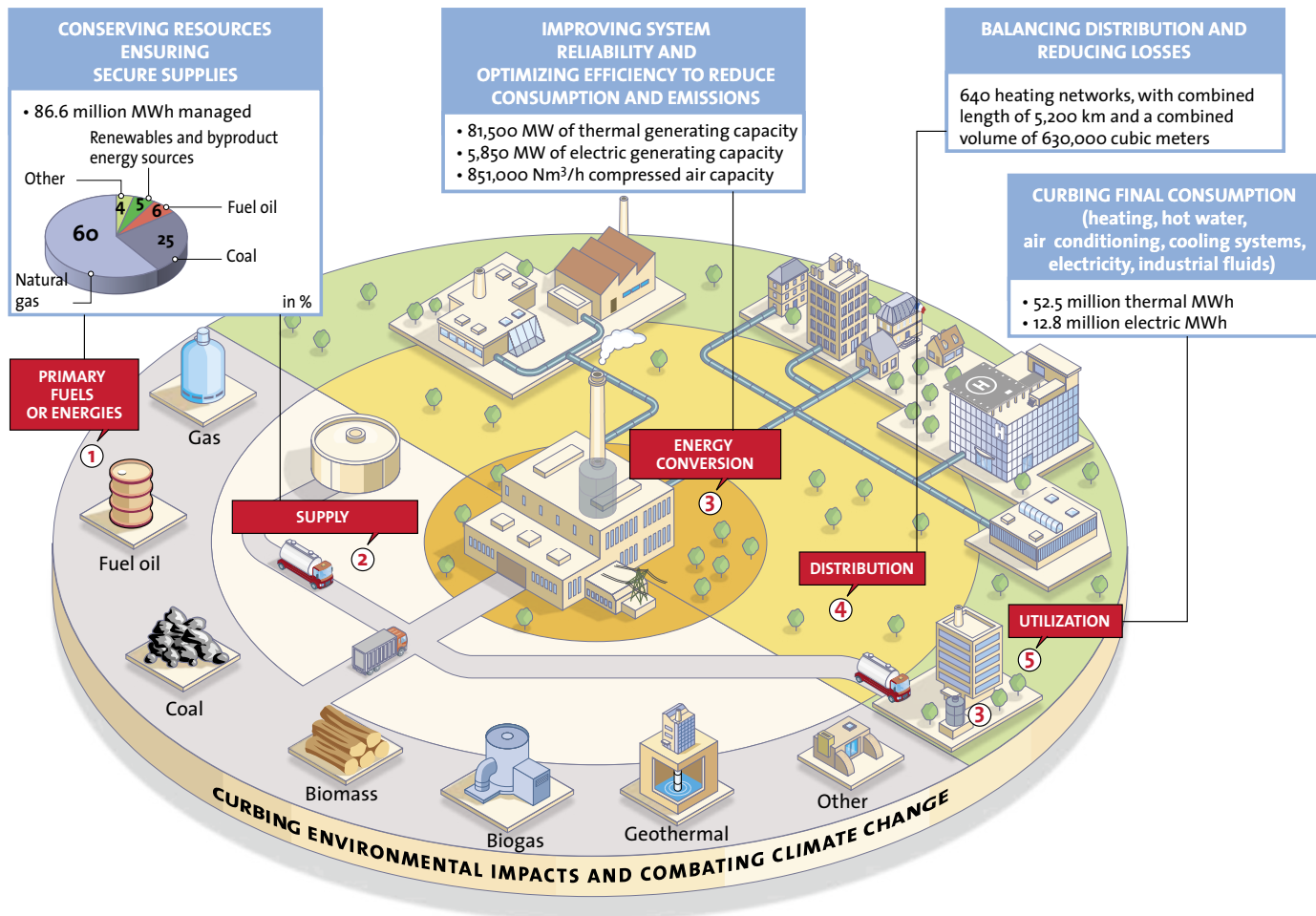
and emissions curbs by comparison with individual heating systems.

3. Main growth areas

Veolia Energy (Dalkia) is very well established in Western and Central Europe at a time when domestic energy markets are being deregulated.

But energy management needs are growing rapidly the world over, and the division is expanding notably in:

- Latin America (see pages 24-25),
- North America, primarily in the management of networks, industrial utilities and shopping malls. In 2005 it won a contract to take over the Cambridge (Massachusetts) steam production system;
- Asia, where Veolia Energy (Dalkia) won its first air conditioning contract for the university campus in Guangzhou, China.



BEST PRACTICE

The HELPS project

HELPS (Hydrogen-based Electrical energy system for Local Power Storage) is a European project aimed at ensuring the uninterrupted supply of high quality emergency backup power, enabling the testing of alternatives to diesel-powered generators.

The project is supported by Veolia Energy (Dalkia). The principle involves combining a 5 kW membrane fuel cell with a hydrogen and oxygen storage system.

HELPS covers 99.6% of all emergency needs overall. Tests have shown a tenfold reduction in failure rates on startup compared with conventional electric generators. What is more, a fuel cell core has no moving parts, thus eliminating noise.

After HELPS...
HELPS is just a first stage. It will be followed by the ASIPAC project, based on the same principle but with a generating capacity of 25 kW. The demonstration unit will be installed in a hospital or other health institution.

“Cutting the incidence of legionella by 50% by 2008” (NEHAP[®] action 1)

As the operator of 20,000 hot water systems and more than 1,000 air cooling towers, Veolia Energy (Dalkia) taps the knowledge of its R&D teams and health experts in order to understand the phenomenon of *Legionella* contamination in systems and develop improved methods of controlling it. The division has produced a best practices guide covering the design, maintenance and monitoring of systems. Operating personnel have been given and trained in the application of the practices.

→ www.sustainable.veoliaenvironnement.com/en/

Veolia Transport

Vision

Stéphane Richard

Chief Operating Officer of Veolia Transport

Changing the urban transportation mix, with less emphasis on the individual car and more on mass transit solutions, is a major challenge. Expected benefits include greater economic efficiency, wellbeing for the population, environmental protection, and a more harmonious social fabric.

Heavy investment in mass transit infrastructure and cleaner technologies alone, however desirable, is not enough. In any case, not all cities can afford them. That is why we also seek to optimize the design and operation of mass transit systems, through improved quality, punctuality and safety, greater ease of access, and coordination of all the different systems in a given city or region. In addition, we are contributing to the dialogue on sociological innovation, and on changing organizations and behavior

patterns. Interestingly, in this sector, many best practices are arising in the southern hemisphere: for instance, bus rapid transit systems originated in Latin America. These provide high levels of performance for a limited public outlay, which in turn facilitates the application of socially acceptable fare scales. Our business too has a part to play in this overall discussion on the move from a volume-driven logic to one based on efficiency and conservation of resources, best summed up as: keeping energy consumption to a minimum, and polluting as little as possible. With that in mind, we are preparing for the day when the high CO₂-emitting transportation sector will be subjected to constraints similar to those now applied to industry. We are thus learning to measure the positive impact of growth in public transportation on the fight against climate warming.



VIEWPOINT

Alain Pilloux

Business Group Director for Russia, Central and Eastern Europe, and Specialized Industries, European Bank for Reconstruction and Development (EBRD)

The EBRD has taken a 35% stake in Veolia Transport Europe Centrale GmbH in order to speed the growth of the leading private public transportation operator in Central and Eastern Europe.

“This partnership will help Veolia Transport to establish a strong presence in countries where the Bank can assist with expertise and experience. The EBRD’s stake in the capital of Veolia Transport Europe Centrale will also help demonstrate the benefits of competition and private-sector involvement in the passenger transportation sector.”

Given its own high standards in terms of safety, and of social, societal and environmental responsibility, this investment by the EBRD signals its recognition of the efforts being made by Veolia Transport to promote sustainable and ethical development in this part of the world.

1. Mobility respecting health and the environment

Veolia Transport is helping to cut air pollution by promoting non-polluting or low-pollution mass transit modes, e.g. rail, subways, tramways, electric vehicles and ferries. It is also cutting its own greenhouse gas emissions by regularly renewing its fleets and adopting clean technologies such as catalytic converters, particulate filters, biofuels, gas fuels and electric power, etc.

Another form of action involves training drivers in environmentally-friendly operating techniques: 70% of drivers recruited in the past five years, i.e., 21,497 people, have received training. Veolia Transport is actively engaged in research and development, and has put in place a knowledge management policy to facilitate exchanges of information and experience concerning new technical applications.

Veolia Transport is helping to preserve the environment and natural resources through the rational use of non-renewable energy sources. One way to achieve this is to anticipate and manage the environmental risks associated with our activities. This entails protecting the soil, groundwater and the ecosystem[©] by treating the water used to wash vehicles, recycling hazardous waste, fitting double-skin fuel tanks, etc.

Lastly, Veolia Transport pays close attention to the impact of its activities by measuring the environmental efficiency of its passenger and freight transportation systems.

2. High quality mobility services

Veolia Transport helps make the mass transit system it operates competitive. We are continuously working to improve the quality of our products and services. At the same time, we

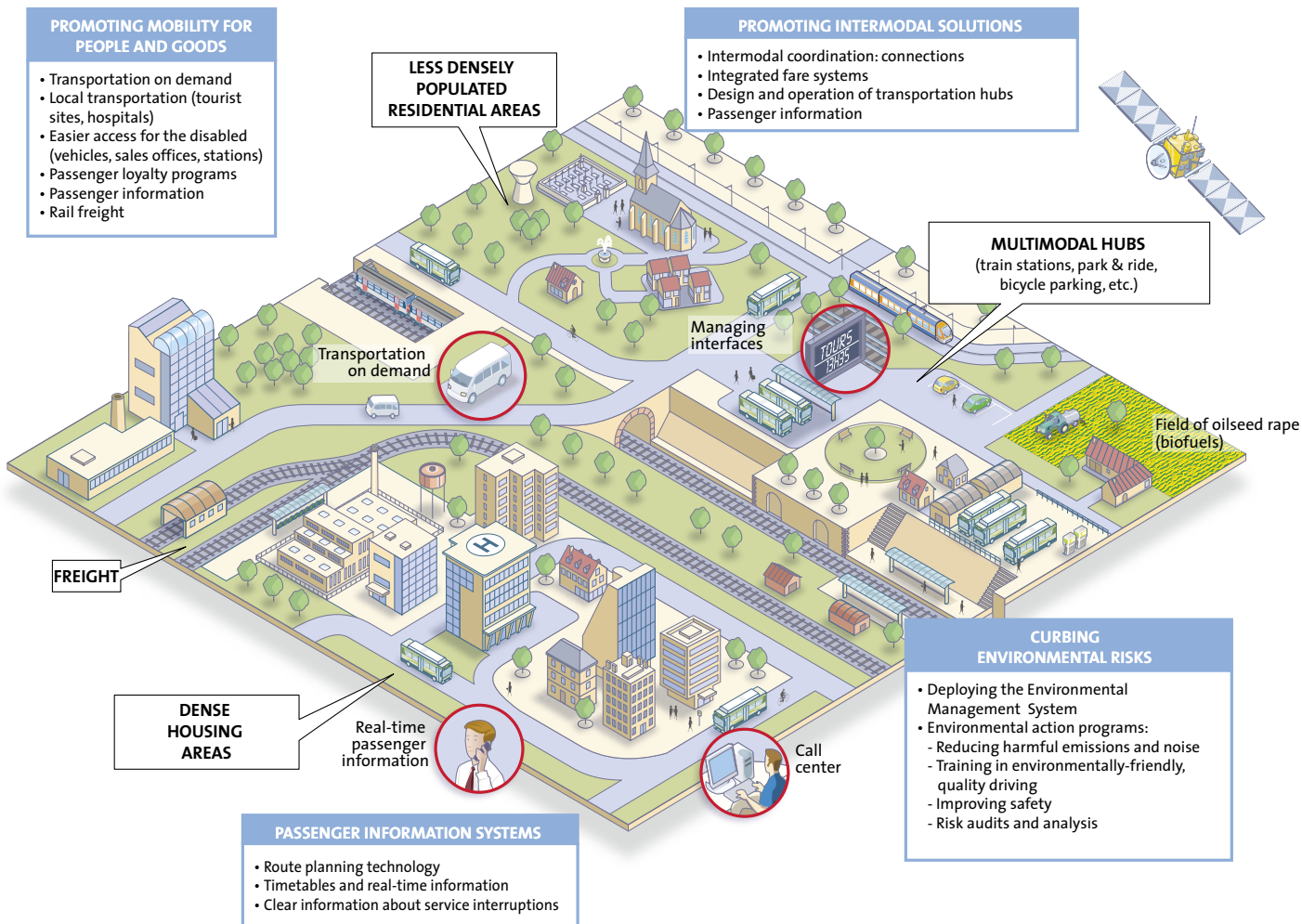
place great emphasis on purpose-designed passenger information systems, including customer relations centers, systems allowing passengers to plan their journey door-to-door, and providing real time information.

In addition, Veolia Transport designs fare scales comprising appropriate incentives and geared to customers’ needs.

For example, the TransMilénio transit system in Bogota, Colombia, opens up virtually the entire city job market and urban amenities to the region’s population for a very reasonable fare.

3. Promoting mobility for all

In France, Veolia Transport has developed a handbook and a “tool kit” to help local authorities improve access to their mass transit systems. It has also introduced dedicated services for people with reduced mobility,



organizing special training and briefing sessions for network managers, attended by local representatives from organizations for the disabled.

To ensure everyone can access its services, Veolia Transport has developed alternative “pick and choose” services, transportation on demand, as well as

innovative services for micro-markets such as tourist sites and hospitals, for example, staffed by specially-trained drivers and accompanying personnel.

BEST PRACTICE

A new information system for the Tel Aviv bus system, Israel

To improve the real-time information system, passengers can now phone a voice server to discover the location of each bus on a given route relative to the nearest bus stop, thanks to a satellite guidance system backed by custom software. This information is accessible via the Internet, cell phone WAP services, and on plasma screens in the main terminus.

Health: tackling air pollution by reducing diesel particulate emissions from mobile sources (NEHAP[®] action 4)

Air pollution is a major health hazard, in cities especially. To counter this, Veolia Transport is planning the wide-scale deployment of anti-pollution systems on its existing vehicle fleet and to evaluate available new technologies.

Veolia Transport has announced ambitious targets for the reduction of polluting emissions in its vehicle fleet, through increased use of electric-driven vehicles, clean fuels, and improved injection and exhaust systems.

www.sustainable.veoliaenvironnement.com/en/

BEST PRACTICE

The Raleigh (USA) bus service runs on biodiesel

Raleigh’s bus service stepped up the use of B-20 biodiesel in its bus fleet in 2004-2005, leading to a sharp cut in polluting emissions (carbon monoxide down 12.6%, hydrocarbons down 10%, sulfur dioxide down 20%, and particulates down 18%). This initiative could revive interest in oilseed crops in North Carolina as local farmers seek to replace their traditional tobacco crops.

Research and Development at the heart of our strategy

There are technological barriers to be overcome if we are to achieve progress in the environmental sphere, and hence in sustainable development. The role of Research and Development is to identify and resolve these difficulties so that we can tackle the challenges of tomorrow.

Research and Development plays a key role in driving forward our activities and business model, by developing new solutions and foreseeing environmental and health issues. It plays an essential part in:

- Optimizing the environmental quality of our services as well as the safety of our facilities and services (through technical improvements to reduce costs, limit the impact of our activities, raise health standards, etc.)
- Adapting our businesses to global

changes (by anticipating environmental issues and protecting the environment). For Veolia Environnement, Research and Development is one of the drivers for improvement. It develops proprietary technologies and, working through industrial partnerships, it is a spur to equipment manufacturers, whose technologies are adapted to the needs of our businesses, for integration into our facilities. Joint research projects in water, energy services, transportation and waste management are helping

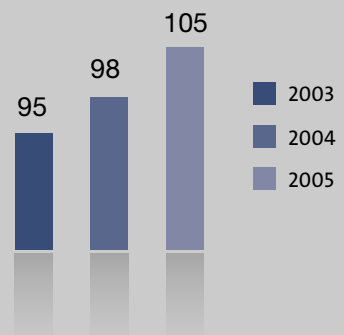
to generate new solutions. And new technologies are making a positive impact on protection of the environment:

- Protecting water resources; optimizing energy management; intermodal transportation;
- Generating new resources by waste recovery and recycling[®]: for example, sludge—and organic waste in general—used to produce a whole series of refuse derived fuels and biofuels;
- Protecting the health of local populations.

R&D resources

- 600 experts (300 researchers and 300 developers in the field)
- 3 main research centers
 - Water (Anjou Recherche)
 - Transportation (Eurolum)
 - Energy and waste (CREED)
- An international network of R&D correspondents: Australia, Germany, the United Kingdom and the United States
- Blue-chip partnerships (institutional, industrial, private and public bodies)
- Around 100 pilot units
- Special focus departments:
 - Environment Department: environmental assessments and management of the EMS[®]
 - Health Department: environmental health studies and training of employees and stakeholders
 - Information experts network
 - Center for Environmental Analysis (CAE).

R&D budget (in millions of euros)



The innovation process

The main steps in the innovation process are:

- Rigorous monitoring of regulatory, technological and competitive developments, serving to anticipate future needs and to launch new research programs at the earliest opportunity.
- Laboratory or field trials are then conducted to verify feasibility.

At this point, the process may be modeled on a computer if appropriate.

- If the avenue proves fruitful, a pilot unit is built in a laboratory or onsite, in order to validate the technologies used and develop their reliability.
- Development of a pre-industrial unit, located in an appropriate site and run by operating personnel.

A streamlined process

Research	<ol style="list-style-type: none"> 1. Needs identification 2. Laboratory trials 3. Research pilot unit
Development	<ol style="list-style-type: none"> 4. Pre-industrial unit 5. Operation

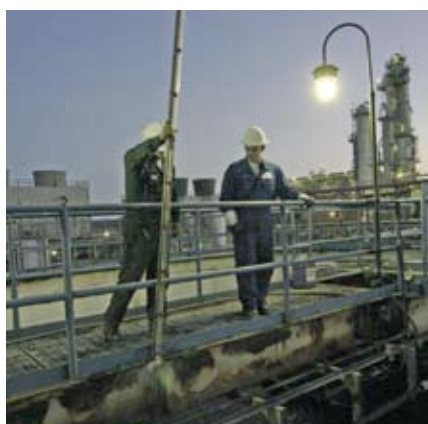
The changing face of R&D: programs that drive technology

Veolia Environnement has proved its technological capabilities by inventing new solutions in every one of its businesses, and today it is a recognized leader in environmental solutions. Alongside its major programs, the

Research Division runs numerous smaller-scale R&D programs in order to keep pace with evolving standards and adapt its technologies to the changing regulatory climate.

Today, the new environmental challenges, especially in the sphere of energy management, demand a small

number of innovative, large-scale technology solutions. Roughly 30% of research spending will henceforward be concentrated on a handful of programs aimed at achieving major technological breakthroughs and keeping Veolia Environnement on the technological cutting edge.



Water programs

The water division faces two major challenges, namely:

- Maintaining and defending the health and taste qualities of water distributed;
- Combating leaks.

Two technology-driving programs have been initiated to tackle these:

- Development of new, more cost-effective techniques to remove organic matter from water;
- Development of predictive maintenance systems for water distribution networks.

Energy services program

Energy services is the field demanding the largest technological breakthroughs, in order to generate sources of decentralized energy recognized to be ecologically clean. This technology-driving program will cover the creation of new sources of clean energy such as solar cogeneration[©], fuel cells, and gasification.



Photo: NASA

Cross-division program

A cross-division environmental program will supplement the specific programs in each of our four businesses. The current challenge regarding environmental protection is to cut greenhouse gas[©] emissions.

A new avenue to be explored will focus on capturing and reusing CO₂, and this will form the environmental protection pillar of our technology drivers.



Waste management program

In waste management, the main challenge is to keep the recovery and recycling businesses moving forward. This technology-driving program, working closely with the energy services division, will focus on waste-to-energy and biomass[©].

Transportation program

Transportation has to cope with very physical constraints in the shape of railroads, train stations and roads, for instance. R&D is seeking to develop interconnections between the different modes, based on a technology-driving program to create convenient and intelligently interconnected modes of transportation.



Our footprint in developing countries

1. Our presence in water services in Africa, the Middle East, and on the Indian subcontinent

Veolia Environnement supplies water, sanitation and energy to 8.4 million people in 10 countries, drawing on local talent, and transferring skills and technologies. This represents:

- Revenue of €480 million
- 6,500 employees in the region
- Capital expenditures and investment of €123 million in 2005
- Operations in 10 countries: Angola, Burkina Faso, Gabon, India, Israel, Morocco, Namibia, Niger, South Africa, United Arab Emirates.

Solutions giving access to essential services

Veolia Environnement is making its own contribution to implementation of the Millennium Development Goals. In three years, it has provided 232,000 people with drinking water thanks to the installation of low-cost connections[©].

One of the main ways to achieve this is through socially acceptable pricing policies geared to people's capacity to pay, with the approval of the contracting authorities. Prices charged in Niger are among the lowest in this part of the continent, at an average of 217.15 CFA francs per cubic meter in 2005, or approximately €0.30. Moreover, the 250 management contracts signed in 2005 with local water caretakers or *fontainiers*, especially for the new water standpoints, set a fixed scale of charges in order to discourage people from reselling the water at prohibitive rates.

Low-cost connections are an alternative solution, enabling disadvantaged households to be connected to the water supply at special rates. Where individual connections are not possible, other equipment can be provided, including public water points designed to avoid wastage and resale; temporary septic tanks in areas distant from the main sanitation system; or aerial water pipes where there is no road system. These measures are systematically carried out

in partnership with the local authorities and inhabitants. Innovative commercial solutions exist also, such as prepaid low-voltage electricity in Gabon. Under this scheme, kilowatt hours are purchased to meet the needs of inhabitants, enabling them to better manage their budget.

Water and health

Public health issues are central to our activities in developing countries. Improving public health depends first of all on monitoring the quality of the water distributed. To do this, Veolia Environnement has developed automated monitoring systems, with widespread sampling and analytic procedures. Laboratories have been modernized for this purpose.

In Gabon, 44 laboratories perform analyses nationwide. They reported a bacteriological compliance rate of over 98% in 2005. In Niger, a maintenance program involving the cleaning of reservoirs, among other things, guarantees water quality, and two new decentralized laboratories have been opened.

Sanitation is another key to public health. In Tangier and Tetouan, Morocco, a program to treat wastewater and restore the quality of beach water has been deployed to improve health conditions for more than 1 million

inhabitants. Similarly, in Rabat-Salé, 24 points discharging wastewater directly into the natural environment were eliminated in 2005, as part of a plan to improve wastewater treatment performance, and work was performed to extend the sewer and storm drain system. Lastly, an evaluation and health education program aimed at measuring the benefits of these procedures and changing people's behavior with respect to water usage, has been undertaken in partnership with the Tangier bureau of the Moroccan Health Ministry. This is the first scientific study designed to assess the environmental health gains from improvements in water and wastewater services and their expansion. Public health centers and two hospitals in Tangier now collect epidemiological indicators from across the city, and also in two neighborhoods not yet connected to the mains. Parallel qualitative studies are being conducted on households.

Environmental protection

Conserving resources depends first and foremost on the networks' technical efficiency. Results are compliant with the targets set in the contracts. For example, the reduction in water wastage in Tangier and Tetouan between 2003 and 2005 is equivalent to the water consumption of a city of 220,000 habitants, with network efficiency rising from 68% to 80.5%.



BEST PRACTICE

Morocco—The National Human Development Initiative (INDH)

The Kingdom of Morocco launched its INDH program in 2005 to combat poverty and promote the conditions for social development. Veolia Environnement Morocco is contributing to the program in its capacity as an operator of public water, wastewater and electricity services:

- By evaluating infrastructure needs in districts not connected to these services;
- By speeding up low-cost programs to connect poor neighborhoods;
- By developing programs to combat school drop-out rates, in conjunction with the Moroccan Ministry of Education, for instance.

These programs are defined and planned in conjunction with the public authorities in each of the urban districts where Veolia Environnement operates. In Tangier, for example, 45,000 households will be connected to the drinking water network, and 41,000 to the wastewater system; in Rabat-Salé, 29,500 households will be connected to the drinking water network, 33,000 to the wastewater system, and 24,500 to the electricity grid. In Tetouan, 26,176 households will be connected to the drinking water network, 32,171 to the wastewater system, and 24,500 to the electricity grid.

In Burkina Faso, a campaign to replace 150,000 meters aims to result in more accurate billing and combat wastage.

One of our concerns is to reduce the various forms of pollution associated with operations at our sites. Here too, Veolia Environnement is targeting the same quality standards as in Europe, with adjustments for local conditions. In one example, the National Impact Survey Commission unanimously approved a survey of the impacts of the Tangier wastewater treatment plant, located in the bay that is both a symbol of the city and a tourist attraction, in October 2004. This survey calls for a seawater quality surveillance program, a pollution alert plan, and a system for monitoring impacts on the urban environment.

Human resources

A central pillar of Veolia Environnement's human resources management style is the sharing of

experiences and transferring know-how. Education and training are crucial to the future of developing countries. In Africa, 60% of the population is aged under 20. Veolia Environnement is stepping up its efforts in this area, in response to the growing technical complexity of the water and energy businesses. It provides more than 100,000 training hours annually in the region.

Morocco and Gabon respectively spent 3.18% and 3.64% of their total wage bill on training. Campus Veolia Environnement Morocco, in Rabat, opened its doors in 2004 and received 1,176 employees in 2005 under continuous training programs. The Gabon Training Center was modernized in 2005 in order to accommodate more trainees and, in the longer term, serve the region as a whole.

Campus Veolia Environnement Morocco has also embarked on a literacy program distinguished by the Award for Corporate Cultural Diversity at the

fifth France-North Africa Convention. Transferring know-how is one of the first benefits a company like Veolia Environnement is expected to bring. But this can take many forms, from exchanges of best practices and seminars to exchange experiences, to the twinning of operating units, and transfers of knowledge with partner universities and schools.

In partnership with four Moroccan universities, Campus Veolia Environnement Morocco has instituted a vocational degree in sanitation in order to develop this specialty in urban areas. The demand for technical skills and labor in this field is considerable.

Our Moroccan subsidiary Amanor, formed in 2003 to perform wastewater systems maintenance, now employs nearly 500 Moroccans hired between 2003 and 2005, and has now diversified into other sectors such as electricity and transportation.



BEST PRACTICE

Facilitating access to water in India

Veolia Water is managing a three-year performance-based contract in Karnataka, a state in Southern India, in partnership with the World Bank and the state authorities, to distribute drinking water in three cities—Belgaum, Gulbarga and Hubli-Dharwad—and five pilot zones. The key challenge is to rehabilitate the distribution network and transform the present intermittent distribution of water (two-three hours of water daily) into a 24/7 continuous service. After diagnosing the problem, work has now begun and an action plan formulated based on performance targets. In addition to distributing water round the clock, all connections are to be fitted with meters, the entire network must be kept under pressure for at least 15 consecutive days, leakage must be reduced, and water quality is to be monitored. The challenge is to demonstrate the feasibility of continuous water distribution in India, and to support this demonstration with reliable measurements and a reduced investment outlay.



As in 2004, the table below reports on the environmental and social impact of our water, wastewater and electricity activities in our main operating countries in Africa.

2005 indicators			
	NIGER	MOROCCO	GABON
Contract start date	2001	2002	1997
Number of customers	79,433	684,725 (electricity) 558,296 (water)	100,385 (water) 167,500 (electricity)
Service and low-cost connections [©]	Since 2003 11,688	Since 2003: 26,234 low-cost water and wastewater connections 18,226 low-cost electricity connections	+ 6,548 low-cost connections in 2005 + 68% since contract start date
Network efficiency	83.8 %	Tangier and Tetouan 72.7% Rabat 80.5%	82.6%
Water quality compliance	97.03%	Tangier and Tetouan 99.77% Rabat 97.68%	94.80%

Our footprint in developing countries (continued)

2. Our presence in Latin America

In Latin America, Veolia Environnement has adapted its operations to this continent's sometimes uncertain economic and social conditions. Social programs accompany the company's contracts, providing supporting activities for the benefit of employees and local communities. Veolia Environnement has formed numerous partnerships in the process, with the Red Cross, city councils, cooperatives, non-profit organizations, Education and Labor Ministries, the media, universities, and specialized education institutions for adults and children.

Induction and continuous vocational training

In countries where distance is often a serious hurdle, Veolia Environnement organizes one-day induction sessions for all employees, geared to specific cultural conditions in each country and the nature of its contracts there. These sessions serve to encourage knowledge-sharing and to identify vocational training requirements. In many Latin American countries, continuous vocational training for employees is not mandatory. However, given the high illiteracy levels prevalent among its employees, Veolia Environnement has instituted training programs in a number of countries, from primary education through university studies.

In Mexico since 2000, and in Chile since August 2004, Veolia Environnement has developed voluntary training programs for employees wishing

to complete their schooling and university education. In Mexico City, the "Improve your education" program trained 64 people in the first half of 2004, from primary school up to first degree level. In Guadalupe, where 40 employees completed training, Veolia Environnement won recognition as a "Company committed to employee education" by Mexico's National Council for Education for Life and Work. In Chile, the program titled "Bringing the classroom to the workplace," supported by the Chilean Ministry of Education, has enabled 90% of employees enrolled in the program to complete their elementary studies and consider pursuing their education via a program of secondary studies.

In Brazil, since 2001 Veolia Energy (Dalkia) has been contributing to the training of employees who lack an elementary school diploma. In Sao Paolo, 27 students successfully completed their training in 2005 as part of the "Lower School" program. In 2006, 97 students are continuing their studies and taking part in cultural excursions.

Integrating people into the regular economy, and local development

The labor market is unregulated in Latin America, and the economy features a large informal sector. This is an important issue for Veolia Environnement, and we strive to improve people's living conditions as part of our contribution to local development.

In Colombia, a campaign to provide health education for the 222 rag pickers

(self-employed waste collectors) at the Presidente Landfill, Buga, and bring them into the formal economy, was initiated in 2001, helping to improve living conditions for themselves and their families. As part of a drive to win legal recognition for their occupation, this campaign comprises a program to steer rag pickers toward other, complementary, activities such as small-scale production of candles and paper, as well as toward vocational training in administrative tasks and accounting. The program also comprises a youth training component, with cultural workshops and environmental education. To improve public health, meanwhile, vaccination brigades working in partnership with local hospitals have organized "health days," treating more than 100 people on each occasion. These vaccination days, along with other health education and career guidance programs, will be continued in 2006 with a view to bringing the remaining 166 rag pickers into the formal economy. This initiative won the Veolia Environnement Social Initiatives Award in 2004.

In Chile, Veolia Environnement has become involved in the development of the town of Maipu (near Santiago). It has set up programs to find work for disabled people and develop micro-business start-ups in connection with efforts to protect the environment. Other actions include training road safety instructors, in conjunction with the police, and training people to repair bicycles, for safer transportation in rural areas. Regarding the environment, Veolia Environnement has started



BEST PRACTICE

Waste-to-energy in Chile

In Chile, Veolia Energy (Dalkia) has built a new steam generator plant at Quintero designed to burn bird droppings, or guano. Eliminating this waste product is a serious problem for the poultry industry, and this plant will convert guano into steam by recovering heat from the gas emitted as it burns. This unique, innovative prototype in Chile is the first stage in a more ambitious, economically viable and environmentally respectful project to produce steam and electric power via cogeneration[©] from larger quantities of guano.



an ecological farm designed to complete students' education and encourage recreational activities with an environmental component, via the funding of sports infrastructure and partnerships with local clubs.

In Brazil, Veolia Environnement has joined forces with the CARE organization to improve housing and living conditions for the mentally handicapped. Veolia Environnement provides monthly financial assistance for 30 children and maintains the electrical equipment used by teachers and pupils.

Safety and social protection

To ensure satisfactory working conditions, Veolia Environnement has formed partnerships with local institutions to remedy shortcomings in local welfare systems. In addition, it is helping to develop hygiene, health and safety policies in several Latin American countries.

In Venezuela, Veolia Environnement has developed a partnership with the Venezuelan Red Cross to provide improved welfare coverage for its 2,415 employees. The contract provides for a medical checkup on recruitment,

annual checkups for all employees, an immediate response in the event of an accident in the workplace, and additional medical services. The initiative is being phased in progressively, region by region. The first contract was signed at Nueva Esparta in April 2004 for the 117 employees working in this province.

In Argentina, a team of Veolia Environnement employees, supported by coordinators in each country, conducts safety audits in order to determine and respond to equipment needs, and to implement training programs. Learning programs are now also available on a continent-wide intranet.

Environmental awareness and conserving resources

Veolia Environnement is involved in efforts to improve the environment wherever it operates, notably via campaigns to promote environmental awareness and by proposing innovative projects aimed at boosting economic development.

In Colombia, since 2003 Veolia Environnement has put in place a program aimed at the entire community of Tunja, to train people in cleaning

and disinfecting home storage tanks in order to improve water quality and encourage conservation. This program will cover all 145 districts in the city by the end of 2007. By 2006, the campaign had already reached 104 districts.

In Argentina, Veolia Environnement has set up numerous programs concerning hygiene and water conservation. In Buenos Aires, as part of a whole community relations program, it has conducted a campaign titled "working together to keep the city clean," to encourage selective waste sorting. At the same time, a three-month campaign urged people to maintain 30 intersections and keep them clean.

In August 2005, the campaign reached out to 20,000 schoolchildren in 80 schools, as part of an annual program of training workshops in waste sorting and the rules of hygiene. In 2006, the campaign will target 18,000 pupils in 71 schools.

In the province of Catamarca, Veolia Environnement is also conducting annual campaigns to build awareness of the need to conserve water and protect the environment in schools.

The table below summarizes key features of water and wastewater contracts managed by Proactiva (50%-owned by Veolia Environnement) in Latin America.

2005 indicators			
Country	Contract	Service	Key data
Argentina	Catamarca 2000-2030	Water and wastewater concession	→ No. of people with water service: 195,000 → No. of people with wastewater service: 111,000 → Efficiency of water distribution networks: 57.4 % → Efficiency of wastewater systems: 65 %
Mexico	Mexico Federal district 1993-2009	Commercial management	462,000 customers and 2 millions users
	Aguascalientes 1993-2023	Water and wastewater concession	→ No. of people with water service: 851,000 → No. of people with wastewater service: 843,000 → Efficiency of water distribution networks: 63.5 %
Colombia	Bogota 1998-2018	BOT contract for water production plant	→ Rehabilitation of the Tibitoc water production plant → Supply of drinking water to Bogota's public water utility
	Tunja 1996-2026	Water and wastewater concession	→ No. of people with water service: 151,000 → No. of people with wastewater service: 148,000 → Efficiency of water distribution networks: 64.5 %
	Monteria 2000-2020	Water and wastewater concession	→ No. of people with water service: 329,000 → No. of people with wastewater service: 124,000 → Efficiency of water distribution networks: 51.3 % → Efficiency of wastewater systems: 56 %
Venezuela	Central Caracas 2002-2006	→ Network maintenance and operation → Commercial management	604 km of networks





Approach

Sustainable development is central to our activities because of the influence it exerts on the way we do business. For us, this is both an opportunity and a responsibility. To leverage this opportunity effectively, we must measure and assess our performance efficiently; spread the knowledge of these challenges to all levels of the company so that everyone can identify and buy into them; and sustain a dialogue, internally and externally, about our actions and our contributions to sustainable development. In the following pages we describe the systems and procedures we have put in place. We are enriching these year by year, in order to fulfill these objectives in a spirit of total transparency.



The foundations and tools of our approach

1. Sustainable development: all our divisions are concerned

Veolia Environnement's Sustainable Development Department is responsible for coordinating the company's policies and presenting its performance, reporting directly to the Chairman and Chief Executive Officer. It also prepares the company to confront future developments, helping it to identify the challenges it meets, and assists in formulating objectives.

The department works through correspondents in our four divisions, in each broad geographic region in which the company is present, and in the main functional departments.

The latter especially concerns those responsible for implementing the economic, social and environmental reporting systems, i.e., Human Resources, Research and Development, Legal Affairs, and Finance.

Reporting is the practical tool guiding our sustainable development policy, over and beyond the principles underlying the company's approach (our Sustainable Development Charter and Values), together with the major commitments to which we have subscribed (the UN Global Compact and the Millennium Development Goals).

2. Reporting

Environmental reporting

Each year since 2001, we have provided information on around a 100 indicators, based on the methodological principles codified in the "Measurement and Reporting Protocol for Sustainable Development." Today, the reporting scope covers 69% of company revenue. Some quantified objectives regarding deployment of the Environmental Management System (EMS)[®] and environmental audits of priority facilities[®] are now reaching their set deadlines. Some indicators are subject to external verification (see pages 52-55, 66, 68 and 69).

Social reporting

Social reporting, comprising around 100 indicators and deployed across Veolia Environnement, concerns 1,329 companies in 64 countries. This has been in place since 2001. These indicators are adapted to actual social conditions in each entity and serve to monitor and steer human resources policy. At the same time, a specific reporting system identifies best human resources and corporate responsibility practices, which are compiled in an annual report on "Social initiatives" (see pages 46-51, 67 and 68).

Client reporting

Client reporting identifies actions and procedures used to measure the degree of satisfaction of our individual clients. In 2005, client reporting focused on the countries already measured in 2004, seeking to cover more business units inside each country, e.g., Shenzhen in China, Tangier and Tetouan in Morocco, and Foothill in the United States. Only Ireland and Gabon were added to the list of 14 countries measured in 2004, bringing the reporting scope for 2005 to 16 countries and 30 subsidiaries (see pages 38-39).

Outlook

Performance evaluation and monitoring of objectives have been deployed as planned. Inside the company, the Sustainable Development Department has worked with the various entities to improve available procedures in order to refine and clarify analysis of our efforts, and to respond more satisfactorily to the demands of non-financial rating agencies. Repeated use of corporate solicited rating plays an important role in this regard. The main challenge today is to ensure company employees are properly and fully briefed on sustainable development issues and policies. This will be our main focus of attention in 2006.

Our charter for sustainable development

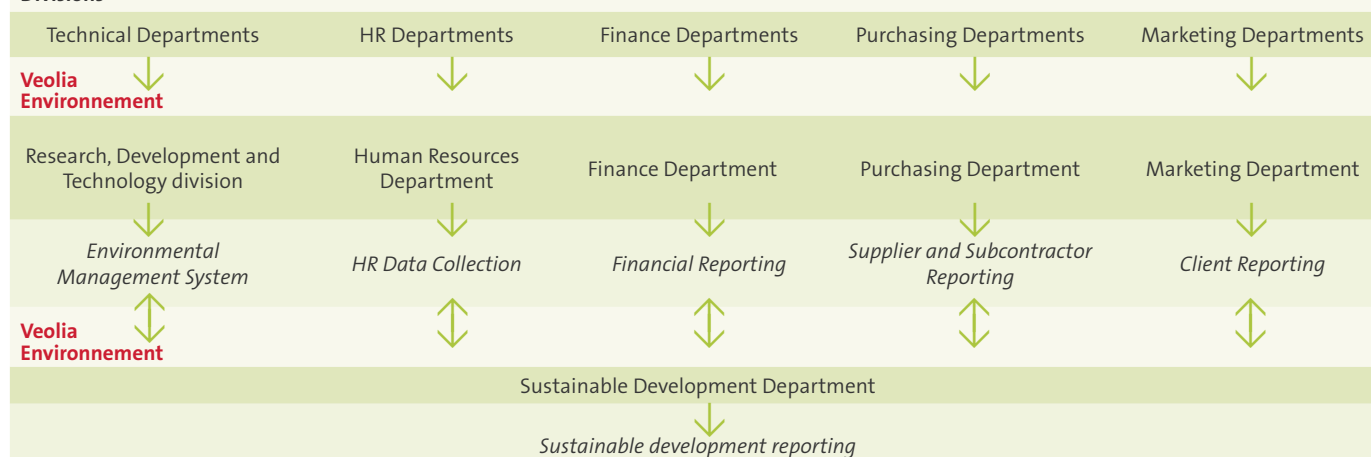
→ www.sustainable.veoliaenvironnement.com/en/around-sustainable-development/issues/charter-commitment

Protocol for the Measurement and Reporting of Environmental Indicators. Social initiatives

→ www.sustainable.veoliaenvironnement.com/en/

Our organization

Divisions



3. Training in environmental issues and building sustainable development awareness

Environmental issues feature prominently in Veolia Environnement's training programs, given the nature of our businesses.









































For example, in 2005 we introduced a specific class on the Environmental Management System (EMS)[®] into the vocational first degree in urban services management, which prepares employees for operating management positions.



Also, a growing number of our training programs comprise an introduction to sustainable development. This notably forms part of our induction program for newly hired managers.

How Veolia Environnement is implementing the United Nations Global Compact

Global Compact principles	Application by Veolia Environnement
Human Rights 1. Business should support and respect the protection of internationally proclaimed human rights; 2. Make sure that they are not complicit in human rights abuses.	→ The Ethics, Belief, Responsibility Program <i>See pages 31, 50-51</i>
Labor 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4. The elimination of all forms of forced and compulsory labor; 5. The effective abolition of child labor; 6. The elimination of discrimination in respect of employment and occupation.	→ The Ethics, Belief, Responsibility Program → Purchasing Charter <i>See pages 40-41, 47-49</i>
Environment 7. Businesses should support a precautionary approach to environmental challenges; 8. Undertake initiatives to promote greater environmental responsibility; 9. Encourage the development and diffusion of environmentally friendly technologies.	→ Deployment of the EMS, creation of the Environmental Management Committee → Creation of a crisis management unit <i>See pages 32, 52-63</i>
Anti-Corruption 10. Business should work against all forms of corruption, including extortion and bribery.	→ The Ethics, Belief, Responsibility Program. <i>See page 31</i>

How Veolia Environnement is responding to major challenges

Economic	Social	Environment
Preventing restrictive practices and corruption <ul style="list-style-type: none">  The Ethics, Belief, Responsibility Program  Annual Report of the Ethics Committee 	Skills and knowledge development <ul style="list-style-type: none">  Campus Veolia Environnement/Veolia Compétences / 2004 Company-wide agreement  Recruitment campaign (17,000 hires between now and 2007) / Annual review of indicators and objectives 	Combating climate change <ul style="list-style-type: none">  EMS / Commitment No. 1 of the Sustainable Development Charter (1)  Annual review of indicators and objectives (2): net thermal CO₂/MWh emissions
Relations of trust with customers <ul style="list-style-type: none">  6 main customers  Annual review of 9 indicators and objectives 	Protecting employees' health and safety <ul style="list-style-type: none">  Corporate Hygiene, Health & Safety / H5N1 avian flu pandemic campaign  Annual review of indicators and objectives 	Conserving water resources <ul style="list-style-type: none">  ditto (1)  ditto (2): network efficiency, sludge treatment
Balanced relations with suppliers <ul style="list-style-type: none">  Purchasing Charter  Sustainable development performance audits 	Improving employee-employer dialogue <ul style="list-style-type: none">  French Works Council and European Works Council  Annual review of indicators 	Combating soil pollution and preserving biodiversity <ul style="list-style-type: none">  ditto (1)  ditto (2): sludge recovery and recycling, identifying hotspots[®]
Footprint in the developing countries <ul style="list-style-type: none">  Veolia Environnement Charter  Monitoring indicators for Africa, the Middle East and South America 	Pay and social protection <ul style="list-style-type: none">  Employee share ownership policy  Annual review of indicators 	Conserving energy resources <ul style="list-style-type: none">  ditto (1)  ditto (2): waste-to-energy, developing renewable energies
Impact on local economies <ul style="list-style-type: none">  Sustainable Development Charter  Monitoring indicators for Africa, the Middle East and South America 	Respecting basic labor standards <ul style="list-style-type: none">  Ethics Committee / Sustainable Development Charter  Annual Report of the Ethics Committee 	Air pollution abatement <ul style="list-style-type: none">  ditto (1)  ditto (2): transportation vehicle emissions and waste incinerator emissions
Access to essential services <ul style="list-style-type: none">  Signature of UN Global Compact  Monitoring indicators for Africa, the Middle East and South America 		Water pollution abatement <ul style="list-style-type: none">  ditto (1)  ditto (2): wastewater treatment plant efficiency, collecting and treating leachates
Solidarity <ul style="list-style-type: none">  Sponsorship (Veolia Environnement Foundation, Waterforce, partnerships)  Annual Report of Veolia Environnement Foundation 		Protecting environmental health <ul style="list-style-type: none">  ditto (1)  ditto (2): safe drinking water, <i>Legionella</i> risk prevention plan, dioxin emissions for incinerators
		Curbing our own impacts <ul style="list-style-type: none">  idem (1)  ditto (2): Carbon balance, vehicle fleet performance in France

 Addressed by a charter, program or policy  Addressed by an action plan and/or performance indicator

4. Constructive dialogue with all our stakeholders

Our success in the long term depends on our capacity to respond to expectations of our stakeholders[©]. We are deeply conscious of our commitments and seek to establish lasting and transparent relationships, aligned with their respective expectations. We therefore strive to develop effective forms of consultation at all levels.

In operational terms, investors, consumers, suppliers, public and regulatory authorities, and the employees of Veolia Environnement expect us to provide profitable, high quality, competitive services, to build fair and lasting business relationships, and to comply with regulations and standards.

In the social sphere, employees, labor unions and other employee representative bodies, and the regulatory authorities, expect us to respect human and labor rights, and to protect health and safety; they also expect good quality working conditions and career advancement opportunities.

Concerning the environment, consumers, NGOs, non-profit organizations and local residents expect us to protect natural resources and biodiversity[©], combat climate change, and curb discharges and greenhouse gas emissions.

All of our stakeholders express societal expectations concerning access to basic services, and regarding our contribution to economic and social development.

We have developed an array of channels for consultation, through reports on our activities, replies to questionnaires, gatherings, specialized clubs, task forces, partnerships and satisfaction surveys, etc.

5. The Institut Veolia Environnement Foresight Committee

To guarantee the independence of the research it commissions from experts working in university faculties and specialized institutions, the Institut Veolia Environnement is a non-profit organization. A Foresight Committee of six distinguished personalities from the

academic world and international institutions lends further intellectual weight to its activities. Its members are:
 → Hélène Ahrweiler, historian, President of the University of Europe;
 → Harvey Fineberg, President of the United States Institute of Medicine;
 → Pierre Marc Johnson, former Premier of Québec, adviser on environmental questions to major international organizations;
 → Philippe Kourilsky, Professor at the Collège de France, Honorary Director-General of the Institut Pasteur (scientific advisor to the Institut Veolia Environnement);
 → Mamphela Ramphela, physician and anthropologist, former Director-General of the World Bank;
 → Amartya Sen, winner of the Nobel Prize for Economics, 1998, Lamont University Professor and Professor of Economics and Philosophy at Harvard University (USA).

The Institut Veolia Environnement has established a range of channels for publicizing its work and contributing to public debate, via conferences, high level publications and a Web site that serves as a forum for information, thinking and debate.

Our dialogue with stakeholders

→ www.sustainable.veoliaenvironnement.com/en/dialogue/stakeholders-relartions/

Institut Veolia Environnement

→ www.institutveoliaenvironnement.org/en/



BEST PRACTICE

Veolia Environnement's contribution to the annual congress of French-speaking pediatricians

Children are especially vulnerable to environmental pollution, whether through water, the air or waste. Pediatricians play an essential role in informing and advising parents on the potential effects of the environment on the health of their children. By organizing a round table on the environmental challenges to child health in the Northern and Southern hemispheres, on the occasion of the 2005 Congress of Pediatricians in France, Veolia Environnement contributed to the information and continuing training of these health professionals. This event grew out of the "Environmental Health" Clubs that Veolia Environnement has organized in conjunction with the "Quotidien du Médecin" daily for several years now.



BEST PRACTICE

Veolia Transport partners associations for the disabled

Before responding to calls to tender, Veolia Transport meets with local and national representatives of associations for the disabled. During the execution of contracts, it maintains an ongoing dialogue with its stakeholders, in order to answer local authorities' demands to make mass transit vehicles more accessible to the disabled.

Upholding ethical standards

1. Ethical responsibility

The professional conduct of Veolia Environnement employees reflects their shared core principles, namely scrupulous compliance with the law, fair dealing, social responsibility, risk management, corporate governance, and a commitment to sustainable development. We are present in 64 countries, obliging us to pay close attention to respect for the principles and values associated with human and social rights as enshrined in international laws and treaties. Our Ethics, Belief and Responsibility program, set up in February 2003 and published in nine languages, was updated in December 2004, following the institution of an Ethics Committee. This Committee is responsible for overseeing the proper application of the values and principles to which the company and all its employees adhere.

The Ethics Committee

The three-member Ethics Committee is independent of the company's chain of command. All ethical matters can be referred to it, and it can also take up issues at its own initiative. It deals with issues in full confidentiality, and also provides information to all members of personnel, providing them with support in affirming and upholding ethical principles and rules.

In performing its mission, the Ethics Committee works in conjunction with the company's legal and financial teams, internal audit, as well as the corporate Risks Management Committee.

The 2005 Report of the Ethics Committee

The Ethics Committee submitted its first annual report on compliance

with core values and principles to the Executive Committee, with contributions from correspondents responsible for implementing the program in each of the company's divisions. The report's contents will serve as a yardstick for monitoring the application of its recommendations.

To ensure employees are properly informed about the program, the Ethics Committee has organized a range of measures to educate management teams, and it maintains the dedicated ethics intranet. It also works with environmental managers on risk management issues. To improve its effectiveness, the Ethics Committee plans to enhance the dialogue on ethical values through training sessions and translating the program into a larger number of languages.

→ Ethics, Belief and Responsibility Program: www.veoliaenvironnement.com/en/group/ethics/

2. Corporate governance

The table below presents our performance in relation to key corporate governance standards.

Good corporate governance standards		Company at April 1, 2006			
Independence	Directors among themselves and in relation to management	At least 50% of Board members are independent; at least 66.66% of members of the Accounts and Audit Committee, and at least 50% of members of the Nominations and Compensation Committee: • <i>Definition of independence adopted by the Board of Directors Standing Rules of Procedure, in accordance with AFEP-MEDEF recommendations</i> Half of the Board is renewed every three years	Board of Directors	Accounts and Audit Committee	Nominations and Compensation Committee
			8/14	3/4	2/3
			Director's term of office: six years (renewable by rotation)		
Independence	Statutory Auditors in relation to management	Statutory Auditors may not provide consulting services other than ancillary audit services Meetings of auditors and directors with no members of management present	yes		
			yes (see Accounts and Audit Committee)		
Involvement in decision-making		Maximum five simultaneous mandates (except legally authorized intra-company positions)	yes*		
		Number of meetings and average attendance rate at Board and Committee meetings:	Board of Directors	Accounts and Audit Committee	Nom. and Comp. Committee
	Directors	• <i>Number of meetings</i> • <i>Attendance rate</i>	7	7	2
			75%	70%	100%
		Annual evaluation of the Board and its Committees	yes		
		Formal evaluation of the Board every three years	yes, carried out in 2004		
Involvement in decision-making	Shareholders	Percentage of votes expressed at the Annual Shareholders Meeting by shareholders present, represented or voting by post in 2005 (excluding proxies held by the Chairman) Attendance (quorum) at the last Annual Shareholders Meeting (2005)	50.14%		
			57.35%		
	Other stakeholders	Number of resolutions on corporate social responsibility (CSR) proposed and approved at the Annual Shareholders Meeting in 2005 Number of speakers who asked questions on CSR in 2005	none		
Financial information			Two out of 10 questions		
		Chairman's compensation for 2005 **	€1,902,524		
		Criteria for determining and setting compensation for the Chairman and senior management	See § 15.1.1 (p. 124) of the 2005 Form 20-F annual report		
		Number of stock options awarded to the Chairman in 2005 and the 10 largest awards • <i>Options awarded to the Chairman</i> • <i>10 largest awards</i>	nil nil		

* To the best of the company's knowledge, based on Directors' statements and excluding legal waivers

** Total gross fixed and variable compensation, Directors' fees paid by the company and its subsidiaries, and benefits in kind

For further details, see 2005 Form 20-F, Chapters 14 to 16

Predicting and managing risks

At the end of 2004, the company set up a Risk Management Department responsible for risk management, insurance and internal audit. This approach helps control the company's expansion.

The Risk Management Department is in charge of mapping major risks, formulating action plans, and monitoring these risks.

Health and environmental risks

Veolia Environnement has deployed its Environmental Management System (EMS)[®] aimed at continuously improving its environmental performance (see pages 52-55).

Railroad risk

Veolia Transport is subject to a variety of risks: industrial (rail traffic), safety, and security (criminal activity and vandalism). The rail safety plan initiated in 2004 continued to be implemented in 2005. Work is now in progress on an inventory of legal obligations, together with a survey to ascertain local managements' familiarity with regulations and the proper implementation of Safety Management Systems.

Employee safety

Management is deeply committed to employee safety, as codified in an array of instructions and quantified objectives. These are monitored continuously (see pages 46-48).

Geopolitical, criminal and terrorist risks

The security surveillance team reports directly to the Executive Vice President of Human Resources. Its four missions span information, prevention, training in how to behave in dangerous situations, and taking action in crisis situations.

IT risks

The Corporate Information Systems Department is engaged in four programs: formulating back-up action plans; interface documentation and automation; data security and maintaining updated applications and technical access authorizations; and establishing multiyear plans for each division.

Legal risks

The company has formulated rules for reporting significant legal disputes, competition law, ethical rules, standard contract clauses, sponsorship and arts patronage, and business intermediaries.

It has also defined rules governing the delegation of legal authority and the selection of directors and officers.

Crisis management

Depending on the gravity of an accident or incident, a crisis is managed either directly by the division concerned or by a corporate-level crisis unit. A telephone duty roster ensures that a responsible person is on duty at all times to contact and brief senior managers if necessary. Each crisis is scrutinized in a post-crisis debriefing.

● TWO PRIORITY OBJECTIVES IN 2006

- To complete a map of the company's major risks so that it can be used to guide risk management within Veolia Environnement
- Veolia Environnement is subject to the French Financial Security Act and the US Sarbanes-Oxley Act, in particular as regards the evaluation of internal controls and financial reporting. To fulfill these obligations, the company started a process in 2005 that will enable the assessment of internal controls at December 31, 2006. Questionnaires have been sent to more than 350 subsidiaries, and the Audit and Internal Control Departments have analyzed the responses. Action plans on the documentation of financial procedures, separation of tasks, and IT security, are now being implemented.

Academics for sounder risk management and prevention

Academic and institutional partners are helping the Institut Veolia Environnement to gain deeper insight into the way the economy, the environment and society interact. The institute has formed a partnership with the Laboratoire d'Économétrie at France's Ecole Polytechnique and the Wharton School Center for Risk Management in the United States to study catastrophic risks and their financial consequences. A workshop is scheduled to be held in 2006 on the subject of "Risk Communication and Management in the twenty-first century" with Ragnar Lofstedt, Director of the Center for Risk Management at King's College, London.

Corporate governance

To ensure compliance with corporate governance principles, Veolia Environnement is continuously improving the procedures of its Board of Directors and the quality of information provided to its members. In September 2005, the company instituted a procedure for reporting to the head of Risk Management and the head of Internal Control and Synergies. In addition, the Risk Management Committee oversees the implementation of specific action plans to deal with significant operational risks (e.g., employee and third party safety, controlling *Legionella* and dioxin risk, and crisis communications).



BEST PRACTICE

Berliner WasserBetriebe AöR (BWB)

Practices derived from Veolia Environnement's business model are contributing to sustainable development. BWB, in Berlin (Germany), shows how this model can work: its chlorine-free water treatment system complies with, and even exceeds, environmental standards. Through negotiations, it has optimized both maintenance and personnel costs, with no layoffs. Result: outstanding economic and social performance at BWB, while also playing a significant role in the drive to protect the environment.

Corporate solicited ratings

Veolia Environnement asked BMJ Ratings, a European corporate responsibility rating agency, to reassess its performance in managing non-financial risk. **The agency rated Veolia Environnement A++ on a scale from D to AAA.** The company's overall performance remains in the upper portion of the rating scale, and above the average for its industry. BMJ Ratings recognized Veolia Environnement's trend in moving toward meeting its social, social and environmental responsibilities. The audit noted several innovations and the strong commitment vis-à-vis the various stakeholders[©]. This accounts for the highly positive medium and long-term outlook.

"We have rated the company's performance against internationally recognized standards and corporate best practice. Performance ratings have been upgraded to reflect changes in its practices relative to the initial rating. The company's performance has been assessed with respect to issues, risks and opportunities in six areas, namely: the environment, human resources, customers, suppliers, civil society, and corporate governance.

Attention to environmental concerns is improving, backed by constructive synergies between the different businesses (in particular regarding the effort to curb greenhouse gas emissions). We emphasize the company's policy of encouraging serious debate on how to integrate health issues into its activities. In practical terms, this is expressed through dialogue with

stakeholders and pilot operations such as the epidemiological study in Tangier following the introduction of wastewater treatment there, and a study of the state of the science concerning hazards linked to incineration, among others. This commitment, supported by the company's R&D capability, holds out the prospect of innovative actions that will win it wider acceptance as a socially responsible company.

In human resources, **the company has retained its powerful social appeal thanks to its innovative and socially responsible practices.** The training campuses visited testified to its strong sense of responsibility for training and personnel development, conscious that its technically complex businesses demand a continuous effort to maintain and enhance employee skills. It displays a deep social and community commitment in favor of under-represented socio-occupational categories (cf. its drive to recruit 3,000 people). Moreover, its reporting system now allows it to plan ahead and target specific personnel categories, including outside France.

Regarding customer relations, and in the new context created by the single brand, **anticipating customers' demands for global, innovative and responsible solutions remains the company's priority.** Veolia Environnement is progressively introducing cross-divisional policies and implementing a single, proactive marketing approach. For the future, Veolia Environnement should continue with its efforts to respond to stakeholders (such as consumer groups), and to integrate societal concerns in countries

such as the United States, Israel and Canada, where the impact of the company's activities is closely observed.

Implementation of a responsible purchasing strategy, initiated four years ago, is ongoing. The commitment of the teams concerned and the systems now in place, with an intranet, reporting procedures, etc., point to promising results, even though R&D efforts could be boosted further.

The climate of relations with civil society remains complex, and the stakes are high in terms of creating partnership value for the future of its business. **Identification of stakeholders has improved, with a more abundant flow of exchanges of views.** However, the company should start reflecting right away on the potential impacts on its business model of pressure from civil society regarding its responsibility for existing consumption patterns (cf. waste, water, energy and mobility).

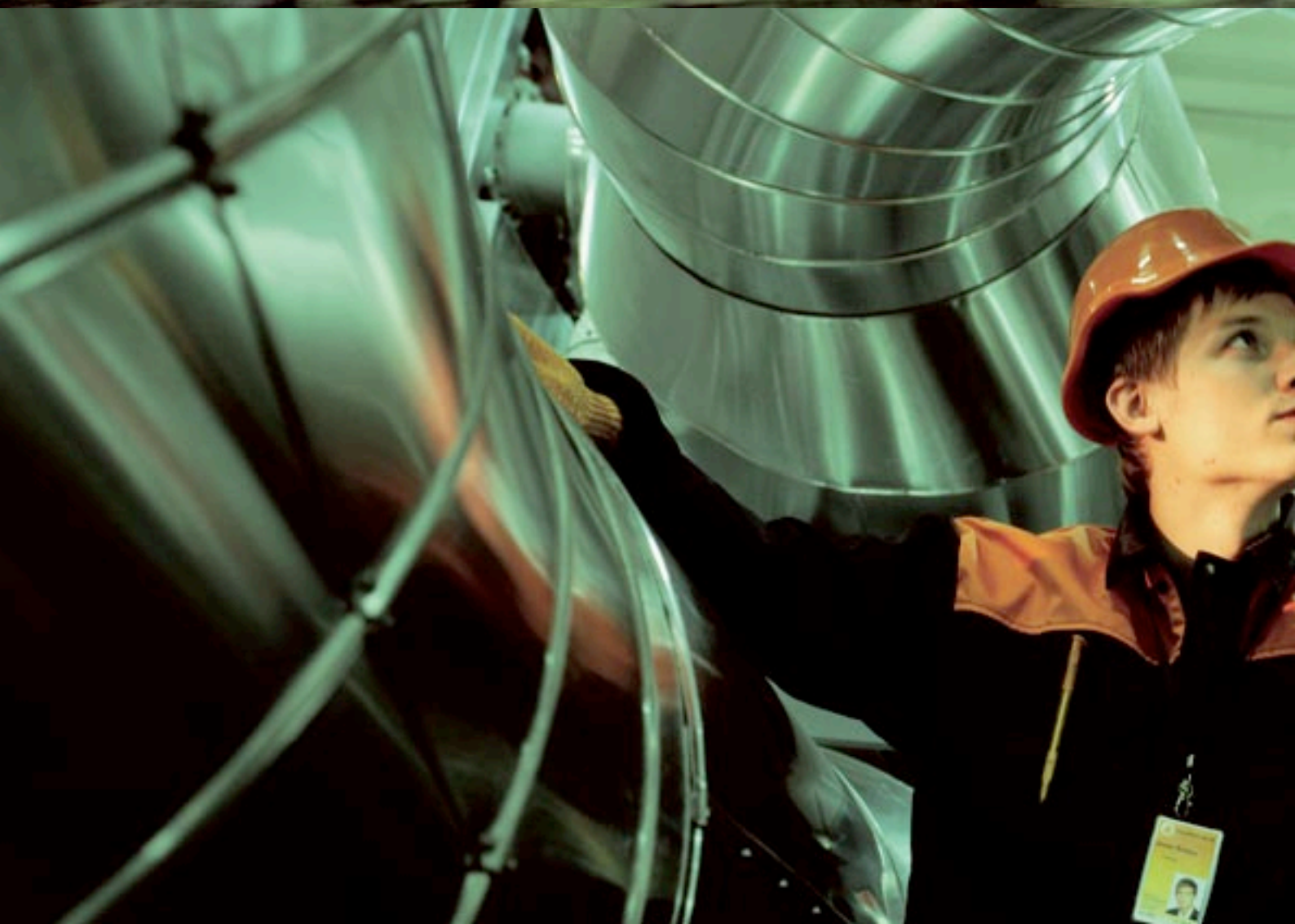
Lastly, **Veolia Environnement's corporate governance is characterized by the quality of its financial and corporate responsibility communication.** Moreover, compliance with new regulations such as the Sarbanes–Oxley Act further bolsters its strong performance in this area.

Veolia Environnement's rating published in this report was established on February 28, 2006. The rating memorandum does not take account of any commitments made subsequent to that date."

PASCAL BELLO,
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

BMJ Ratings rating scale		
Score		Trend
>90	AAA	++
>80	AA	The company has the means to significantly improve its long-term performance
>70	A	
>60	BBB	+
>50	BB	The company has the means to improve its long-term performance
>40	B	
>30	CCC	-
>20	CC	The company is experiencing problems that will affect its long-term performance
>10	C	
> 0	D	--
		The company is experiencing problems that will seriously affect its long-term performance

Our ratings		
Management principles		Area
	74/100	71/100
1. Leadership values	71/100	1. Environment
2. Organization of responsibility	66/100	2. Human resources
3. Transparency of information	74/100	3. Sales function
4. Commitment to stakeholders	65/100	4. Purchasing function
5. Independent oversight	76/100	5. Civil society
6. Innovation	72/100	6. Corporate governance
7. Long-term vision		





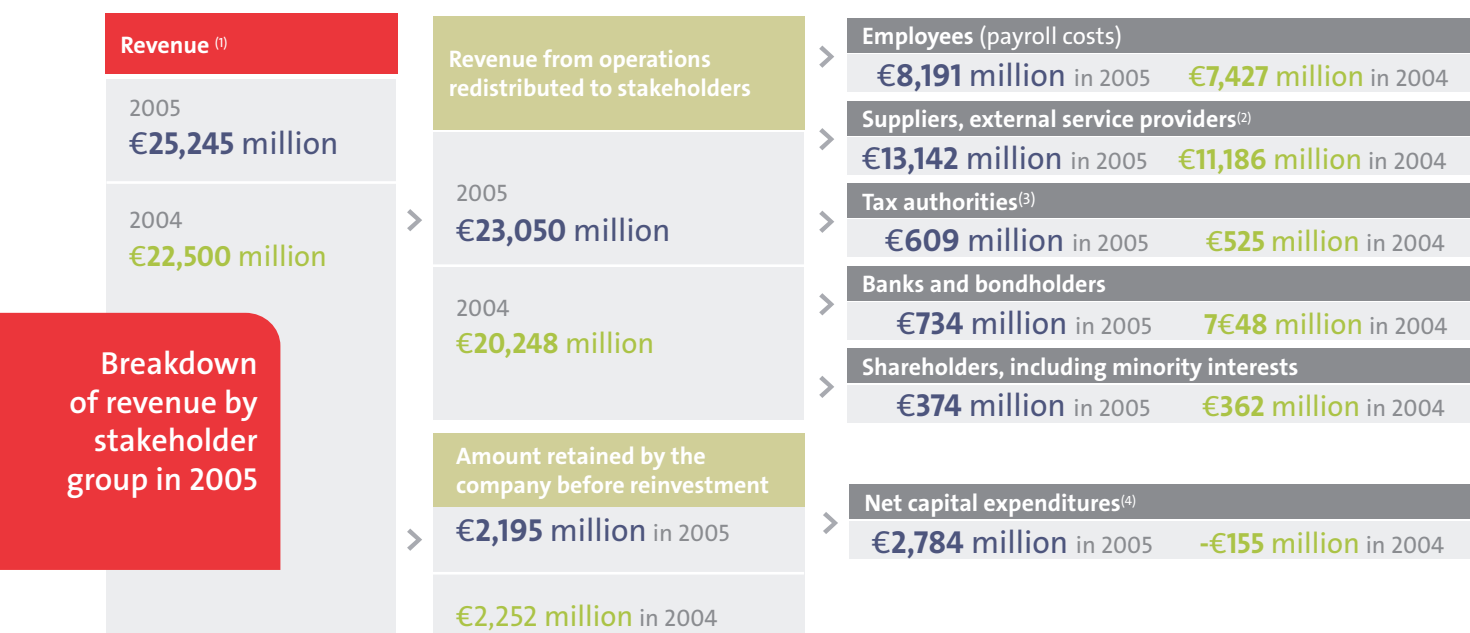
Our performance

The credibility of our commitment to sustainable development depends on our capacity to measure our economic, social and environmental performance. This capacity provides useful guidance in honoring that commitment, by setting a framework for progress backed up by quantified objectives. With the hindsight of a few years' experience, we can now discern what has been achieved and what still remains to be done. In 2005, we scrutinized our performance in greater depth by describing our impacts and consumption more precisely. The pages that follow assess the progress achieved by Veolia Environnement. Describing some of the key challenges facing the company, they show how dry figures can be translated into concrete commitments in the service of our employees, the environment, and populations served.

ECONOMIC PERFORMANCE

The economic footprint of our activities

The chart below shows how revenue from our activities is distributed among our various stakeholders[©].



Creating long-term value

Veolia Environnement is a local player, especially through our procurement organization, our human resources policy, and again through our role as collector of charges for municipalities and public agencies (we collect more than €2 billion annually). As such, we also define ourselves by the nature of the long-term relationships we maintain with our customers. This is notably reflected in the duration of our contracts. In 2005, two-thirds of the 15 largest contracts signed by Veolia Environnement were for terms of between 15 and 30 years. This implies specific responsibilities, such as the need to provide for the cost of closing the facilities we operate and for dealing with post-closure care. These provisions totaled more than €350 million in 2005.

Veolia Environnement strengthened its balance sheet in 2005 and created additional value for all its stakeholders. The sharp rise (12.2%) in revenue went hand in hand with an increase in our return on capital employed after tax

to over 9%. At the same time, we spent €3.46 billion on capital projects, including €906 million on new projects.

Our financial strength, as measured by the state of our debt, is a guarantee of our long-term prosperity. A highlight of 2005 in this regard was the upgrading of Veolia Environnement's debt by Moody's. Veolia Environnement reduced its debt considerably in 2005 and

refinanced several lines of debt in order to optimize its overall debt profile.

Our growth model continues to create jobs, even though payroll costs grew less rapidly than revenue, reflecting the productivity gains achieved. The ratio of economic net debt to cash flow from operations was 3.0 in 2005, compared with 3.2 in 2004 and 3.5 in 2003.



BEST PRACTICE

An example of how revenue is redistributed among stakeholders

The company has established a range of defined benefit (company or multi-employer) pension plans, along with defined contribution plans and other post-employment benefits, for its employees. The precise terms of these plans depend on the local regulatory environment and national or industry-wide agreements.

The most significant defined benefit pension plans are located in the United Kingdom, where pension liabilities totaled €830 million at December 31, 2005, and in France, where they totaled €357 million at the same date, notably in respect of lump-sum retirement payments. Benefits are calculated on the basis of employees' pay and length of service. Subsidiaries have defined contribution pension plans in most of the countries where the company operates. Veolia Environnement spent a total of €37.1 million on these plans in 2005. The company also provides a range of additional post-employment benefits, chiefly insurance cover in the United States and France.

(1) Revenue from ordinary activities (2) Excluding indirect taxes estimated at €300 million (3) Including indirect taxes estimated at €300 million (4) Figures for 2004 include the impact of the disposal of non-core water activities in the United States and the disposal of FCC, for a total of €2,150 million

The price of water service

Water in its natural state—in rivers, lakes, or aquifers—is free. But it can't be consumed in that state. It takes a whole series of services to make it fit for human consumption, then to distribute it, check its quality, and then to collect it after use and remove the pollution from it. We borrow it from nature,

treat it, deliver it, and then clean it before restoring it to the natural environment.

So when we pay for water we are not paying for the product, but for the set of services needed to bring it up to the desired level of quality. That is why we prefer to talk in terms of the “price of water service”.

What does it take to produce water and distribute it?

- Withdrawal of raw water from the environment
- Conversion into drinking water
- Delivery to homes
- Quality controls
- Construction of facilities
- Operation of facilities
- Maintenance of distribution networks
- Customer relationship management

1. What makes the price of water go up?

Two factors are involved:

→ The proportion of the price attributable to treating wastewater is rising, in Europe primarily. This is because local authorities have been investing in recent years in order to comply with new wastewater treatment standards.

→ Tougher European drinking water standards, too, have driven up the price of water. In France, water “fit for human consumption” is required to comply with 54 chemical and microbiological parameters. This can only be achieved through further research and investment.

2. How does the water price in France compare with that elsewhere in Europe?

Water in France costs €1 per day per household, or 1% of the household budget. That makes it one of the cheapest of all public services. And it makes the price of a liter of water delivered to the public network 100-200 times cheaper than a liter of bottled water. The average price of water in France (water and wastewater service combined, inclusive of tax) works out to €2.56 per cubic meter, or one-quarter of a euro centime per liter, which ranks it fifth in Europe after:

Denmark at €4.53 per cubic meter
Germany at €4.45 per cubic meter
Netherlands at €3.35 per cubic meter
United Kingdom at €2.89 per cubic meter

3. Why does the price of water vary from one municipality to another?

Some countries opt to charge a flat rate for water nationwide, as in Gabon for example. But in most countries, as in France, the price of water varies from one municipality to another. There are sound technical reasons for these price variations:

→ The accessibility, availability and quality of the water, and population characteristics (density, seasonal variations, etc.) demand more or less complex treatment processes, which in turn means production costs will differ.

→ Water sources are often distant from the point of distribution, which means the water has to be transported via pipes and reservoirs: this, and the energy needed to transport it, costs money.

→ Distribution network maintenance costs differ, depending on the nature of the ground (geology).

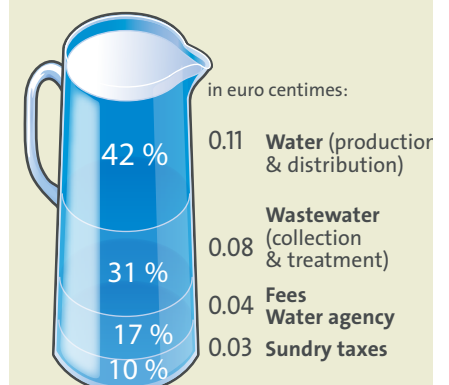
→ The capacity to anticipate risks, health risks especially, also implies investments.

→ Quality of service, and water and wastewater service performance, also play an important part in explaining these variations.

4. Pricing policy

In Europe, and in most developed countries, the principle of “water pays for water” generally applies. This means the consumer pays the full cost of the water consumed. But this rule is ill suited to many cities and developing countries. In such cases, low-income families' basic needs can be met through international solidarity or price equalization mechanisms to cover part of the costs not borne by the consumer (see pages 22-23).

Breakdown of the average price of a liter of water in France (1 liter = 0.256 of a euro centime)



NB: water bills generally comprise a flat-rate charge, and a variable portion based on actual water usage by the consumer.

Building a quality relationship with consumers

1. Understanding our customers: a company-wide process

Several events took place in 2005 aimed at defining the challenges regarding customer satisfaction for the next two years. Among others, a kit titled "Customer satisfaction builds a sustainable company" was sent out to 500 people in 19 countries, with a view to publicizing "The Six Customer-Relationship Principles" more widely. The kit comprised a report on sustainable development, a CD-ROM and a newsletter. In November, the Veolia Environnement Management Convention, attended by 4,500 people from 57 countries, for the first time focused on clients.

There were several initiatives in each of the divisions, also. Veolia Water, for example, assembled 145 customer relationship managers from 22 countries at a seminar on "How to improve customer knowledge and satisfaction."

Veolia Transport has opted for an approach based on "pilot sites." Where service quality is concerned, the city of Denver (USA) has been chosen as a "laboratory" to test a program aimed at providing excellent passenger service over the next 18 months.

In addition, customer-focus training programs were strengthened in 2005. These programs are distinguished by:

→ The diversity of topics covered: in transportation, they include "Providing Excellent Customer Service" in Boston, "People First" in Australia, and "Going for Green" in Dublin, a pilot site for this new training module; in the water division, they include "Customer Service Management Asia," and "Correspondents for you" in Romania.

→ The variety of the personnel concerned: call center operators, customer relationship officers, meter readers, drivers, team managers, sales

departments, agency staff, maintenance and repair personnel, bill collectors, etc.

→ The range of techniques used, including theory classes, role playing, e-learning, educational workbooks, internal contests, etc.

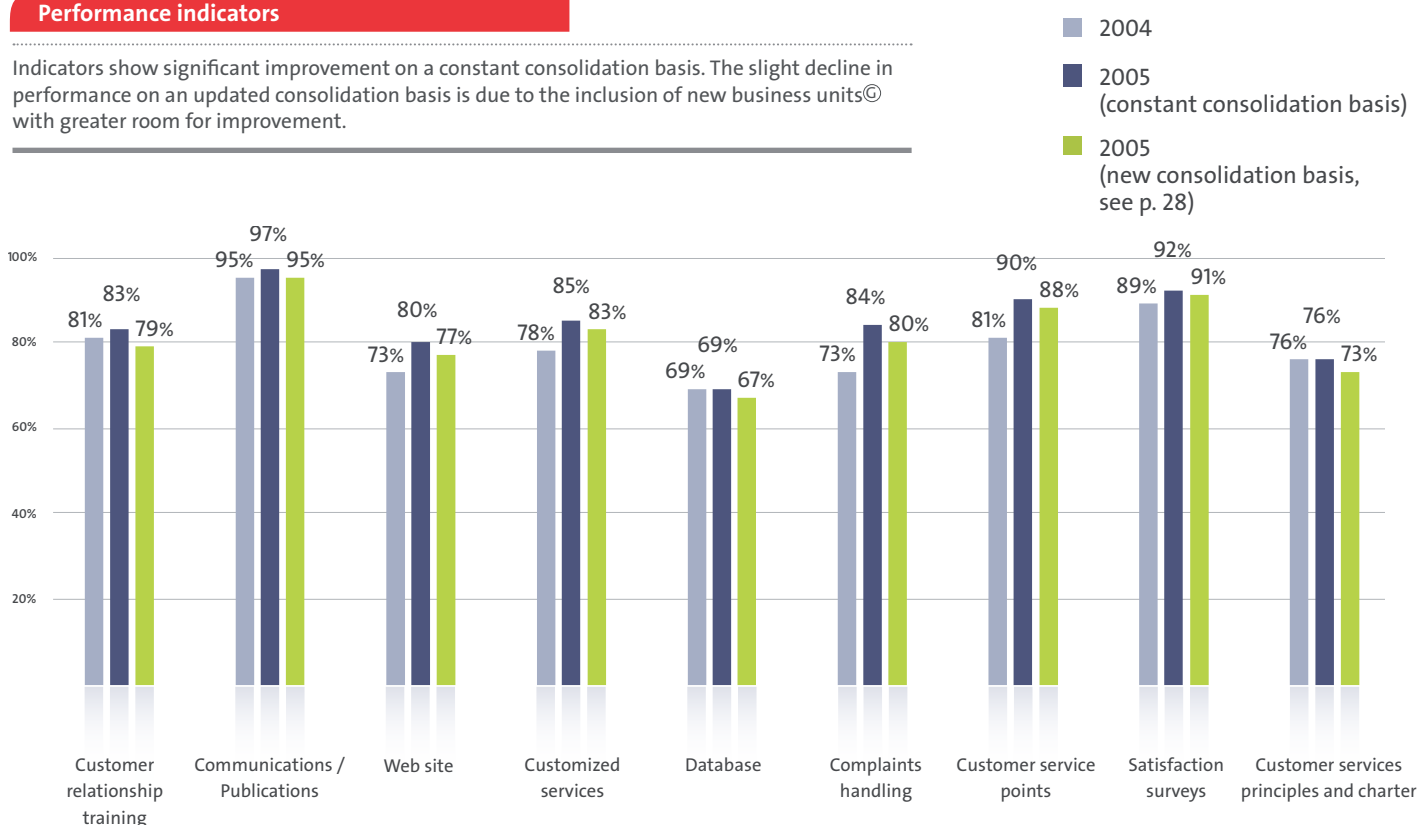
2. Being more attentive to consumer expectations

Starting in 2004, Veolia Environnement set about analyzing customer satisfaction surveys and harmonizing its key satisfaction indicators (KSI). The divisions cooperated fully in this, and two of them completed their analysis in 2005.

As a result, Veolia Water has identified 11 relevant indicators and introduced a new format for satisfaction surveys in five countries (China, Czech Republic, France, Morocco, and the United Kingdom). Veolia Transport selected nine KSI and applied them in Dublin and in 22 French "pilot" networks.

Performance indicators

Indicators show significant improvement on a constant consolidation basis. The slight decline in performance on an updated consolidation basis is due to the inclusion of new business units[©] with greater room for improvement.



The approach is somewhat different in energy services and waste management. Veolia Energy (Dalkia) interviewed three customer groups (residents and managers of buildings connected to district heating systems) in order to identify the six key areas of satisfaction and thus structure its survey.

Veolia Environmental Services plans to take the results of a survey of the expectations with regard to information and transparency of 513 local information and surveillance commissions (“CLIS”) in France as the basis for improving its performance. This survey was carried out by an organization called France Nature Environnement. Significantly, the 77 commissions overseeing facilities operated by Veolia Environmental Services rated the company better than the national average on the following items:

- “Satisfactory consultation” +7%
- “CLIS functions effectively” +10%
- “CLIS efforts to inform the general public” +23%

3. Closer to the customer, more responsive, better information

Today’s consumers are increasingly demanding, and Veolia Environnement seeks to provide simple, reliable and accessible information. The “Communications-Information” indicator has shown continuous improvement over the last three years, thanks to initiatives such as *Le Petit Journal de l’Eau*, a water newsletter, with 11 million copies distributed annually in France, 600,000 in the Czech Republic, and 10,000 in Romania. In another initiative, new customers’ handbooks were distributed to new district heating customers in France and Lithuania, and to water and wastewater service customers in six countries.

Moreover, our call centers in 14 countries guarantee that consumer queries (about their customer contract, pricing, information, appointments, complaints, etc.) will be handled swiftly. Our Web sites in seven countries, meanwhile, now have a special customer area providing real-time access to personalized information. Services available include updates on network incidents (e.g. , maintenance work on water mains, mass transit, and district heating, etc.); journey planning in France, Australia and the United States; tracking water consumption and quality; information on emissions at certain Veolia Environmental Services sites; customer account queries with the possibility of contacting a customer officer; receiving bill by email and electronic bill payment, etc.

These technologies now allow us to send out emergency crews rapidly to tackle incidents. Certain sites in France and the United Kingdom use the call center to identify anomalies detected by local residents (odors, noise, smoke, etc.). Veolia Eau France uses the telephone to alert private customers whenever necessary—a much-appreciated service: “74% of consumers consider the telephone alert system very useful, and 99.3% want to see it continued*.” A total of 150,000 homes benefited from this service in 2005. In the transportation sector, systematic use of text messaging (available in Sweden, the United States and Australia, where 17,000 customers subscribe to the service) is providing regular traffic information updates to travelers.

* According to a survey carried out by Institut Louis Harris on a sample of 300 people having received a message

● 2006-2007 OBJECTIVES

- Satisfaction surveys: deployment of new consumer satisfaction survey formats:
 - Veolia Water: 12 countries (China, Czech Republic, France, Gabon, Germany, Italy, Morocco, Romania, Portugal, Sweden, United Kingdom, United States).
 - Veolia Transport: following approval by the organizing authority, harmonization of surveys conducted outside France (Australia, Sweden, United States).
 - Veolia Energy (Dalkia): deployment of consumer satisfaction surveys in four countries (Czech Republic, France, Lithuania and Romania).
 - Veolia Environmental Services: European survey of Consultative Commissions’ expectations.
- Complaints: ongoing analysis of complaints begun in 2005 (typologies, dedicated teams, compensation policy, handling efficiency, etc.) and formalization of best practices.
- Industrial clients: monitoring changes in the key indicators introduced in 2004.
- Local government clients: building a relevant set of key indicators for measuring and monitoring customer satisfaction.

The six customer relationship principles / Key satisfaction indicators (KSI)

→ www.sustainable.veoliaenvironnement.com/en/dialogue/customer-focus/



BEST PRACTICE

Veolia Water Morocco: Redal’s quality of service program in Rabat

- A vigorous training drive, with the distribution of 300 service standards handbooks to sales personnel, and 400 repairman’s guides for technical personnel, backed up by two seminars on quality of service for managerial personnel.
- Redal Info: a service launched to inform customers via e-mail or text message about all aspects of billing and events relating to their contract or consumption (e.g. , billing, excessive consumption alert, leaks, planned maintenance work, etc.).



Responsible procurement

1. Veolia Environnement's procurement organization

Veolia Environnement spends €8 billion on purchasing a huge variety of products and services. With few exceptions (buses, for example), the end-customer never actually comes into contact with these products or services. We have therefore decided to make our suppliers, rather than products, the focus of attention by integrating the procurement function into our sustainable development policy. This particularly concerns our exposure to social and environmental risks.

Nevertheless, we continue to analyze very closely our consumption of certain products, notably by formulating a responsible procurement policy.

2. The Veolia Environnement way

Training

In 2005, 63 buyers, and procurement officers and managers from more than 10 countries, attended Veolia Environnement procurement training sessions.

These sessions devoted a half-day to sustainable development, with the following aims:

- Encouraging buyers, and therefore suppliers, to share Veolia Environnement's strategic commitment to sustainable development.
- Motivating buyers by making them aware of the importance of their role

in the involvement of the procurement activity.

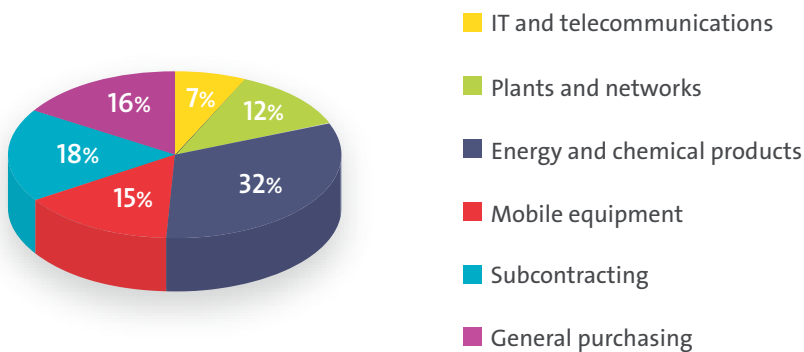
→ Underscoring the need to identify risks associated with the client-supplier relationship and encouraging buyers to adopt best practices.

→ Supplying pointers and practical examples relevant to the procurement function.

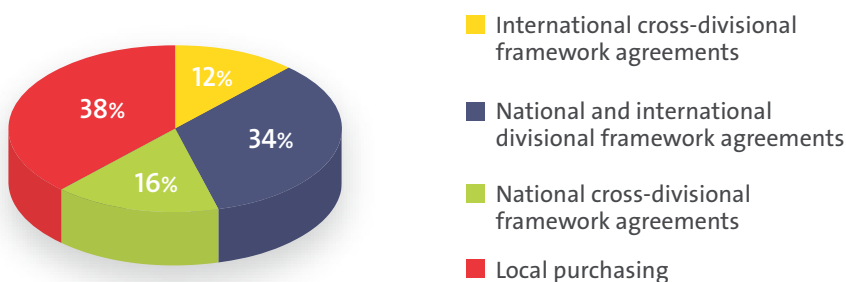
Informing, building awareness and assessing

The procurement intranet again demonstrated its value as the number one source of information, with a 30% worldwide increase in registered, regular users of the site in 2005. The procurement

Analysis of Veolia Environnement procurement in 2005



Breakdown by type of supply contract



Veolia Environnement makes most of its purchases locally.



BEST PRACTICE

Building a more environmentally-friendly vehicle fleet

We studied the impact on sustainable development of our light vehicle fleet in France (a total of nearly 30,000 operations and business vehicles) in 2005.

The first part of the study entailed building a set of indicators covering the three dimensions of sustainable development, namely:

- Environmental: CO₂, NO_x, particulate emissions.
- Social: safety equipment and Euro NCAP[®] rating.
- Conservation: fuel consumption.

Based on these indicators, a report on the existing fleet was prepared and simulations carried out to study the impact of different choices (three variants) compared with continuing the existing policy. The option selected has quantified objectives over a three-year period for CO₂, NO_x and particulate emissions.

intranet also served as a means of assessing our national and international suppliers.

In 2005, 650 buyers and users of framework agreements based in 25 countries conducted more than 5,000 assessments of their main suppliers. Each assessment contained three criteria (out of a total of 19) concerning sustainable development:

→ Information on legislation specific to the line of business.

→ Compliance with environmental standards and/or contractual clauses.

→ General sustainable development policy.

Standard contract and “Request For Information” (RFI) questionnaire

“Clause 6” of our model framework agreement formally commits our suppliers to contribute to fulfillment of

the company’s sustainable development ambitions, both through their own activities and across their supply chain. This requirement has been formalized in the new version of our Purchasing Charter, translated into five languages and circulated to the company’s entire procurement network—more than 2,000 buyers and users—via the intranet. An RFI questionnaire based on the 2004 audits has been distributed to buyers to encourage them to integrate sustainable development criteria into their invitations to tender.

Setting an example

Objective verification and compliance audits have been performed to chart progress made by our suppliers in the wake of the sustainable development audits carried out in 2004.

Our buyers give priority to socially responsible purchases whenever this does not defy economic logic. This

applies in particular to renewing the light vehicle fleet, and to the purchase of recycled paper for administrative printing purposes.

● 2006-2007 OBJECTIVES

- From 2006, environmental, health and workplace safety risk analysis will guide the selection of potentially polluting products, especially chemicals. The RFI questionnaire will be backed up by a detailed analysis grid to determine the product’s environmental impact throughout its life cycle.

- The new policy covering the management of the car fleet will be deployed in France, and probably strengthened in view of the outcome of initial actions. We will also seek to extend its field of application throughout Europe and North America.

For the first time, suppliers were invited to the Veolia Environnement Convention, which was held on November 4, 2005, at Villepinte, France. Buyers and suppliers shared their enthusiasm for sustainable development.



Sponsorship

1. Financial sponsorship: the Veolia Environnement Corporate Foundation

Veolia Environnement views its sponsorship activities as an entirely disinterested means of using some of its resources and skills to benefit the community at large. Its priority areas are the community through outreach projects, work force development by creating job opportunities, and protecting the environment and living conditions.

This approach is fully consistent with our businesses, our employees' skills, and with our corporate values of solidarity and responsibility. Since being set up in May 2004, the foundation has helped coordinate the company's sponsorship programs more effectively and made it easier for employees to become involved in them. These programs add up to an annual commitment of €5 million for five years on the part of its founders, Veolia Environnement and its four divisions.

The foundation's Board of Trustees and its Selection Committee have put in place a rigorous selection process. In 2005, 173 projects were selected: outreach (93), work force development (42), and environmental protection (38).

Veolia Environnement employees play an active role in the running of the foundation, and they are welcome to

propose projects of their own if they come within the foundation's scope. A company employee acts as sponsor to each project adopted, playing a key role in both planning the project and overseeing its execution. At the end of 2005, more than 800 employees had forward to sponsor a project, and 250 had actually been invited to do so.

2. Expertise-based sponsorship: Veolia Waterforce - Waterdev

Veolia Waterforce, the company's humanitarian and international development aid department, was founded in 1998 to provide emergency aid to victims of Hurricane Mitch in Nicaragua and of the Yangtze River floods in China. Since its origins, it has performed nearly 50 emergency and development missions, with support from a wide range of partners, including United Nations agencies, governmental institutions, local authorities, NGOs, and private-sector companies.

Skills-based sponsorship is Veolia Waterforce's chosen mode of operation, working through a network of 440 volunteer employees (19% of them women and 14% of them based outside France). In 2005, 91 volunteers provided their expertise in the fields of water, sanitation, waste management, energy services and transportation. Altogether, they provided an aggregate of 2,152 mission-days in 15 countries.

Veolia WaterForce missions

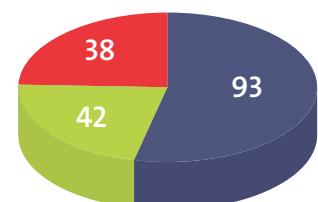
→ In Indonesia, Sri Lanka and the Maldives, all of which suffered severe damage in the December 26, 2004 tsunami, Veolia Waterforce assessed needs, supported local technical departments in restoring water supplies, and organized targeted emergency drinking water production installations (by filtration or seawater desalination). At the same time, numerous volunteers helped rehabilitate the drinking water system at the Meulaboh hospital in Indonesia.

→ In September, in Senegal, another operation installed storage tanks and latrines for flood victims in Dakar.

→ In the United States, Veolia Waterforce installed a mobile water treatment unit in Louisiana to supply the needs of workers who had come to help rebuild the town of Kenner, devastated by Hurricane Katrina.

→ Caritas France and the French Ministry of Foreign Affairs turned to Veolia Waterforce to provide drinking water for a UNICEF camp set up in Muzafarabad, Pakistan to shelter victims of the earthquake there on October 8 last year.

Breakdown of projects supported by the foundation (number of projects)



- Outreach
- Environment and living conditions
- Work force development

105 projects in France and 68 projects in the rest of the world.

For further information: → www.fondation.groupeve.com/v_anglais/



BEST PRACTICE

Partnering PADDY

Veolia Waterforce is a partner in the Programme d'Appui au Développement Durable de Yélimané (PADDY—Sustainable development support program, Yélimané) in Mali. PADDY grew out of a cooperative program initiated 20 years ago between the Paris suburb of Montreuil, the Cercle de Yélimané and, more recently the Paris region water authority (SEDIF). Its aim is to improve living conditions by promoting decent socio-economic conditions for the local population by enhancing its technical and operational capabilities, to boost farm output, manage natural resources more efficiently, and create local jobs. This exercise in co-development is mobilizing Malian migrant workers' associations in order to halt the rural exodus and involuntary emigration. Outside partners are contributing too: Veolia Waterforce, for instance, is using its expertise to install durable water supply systems.

Partnerships to support local development

In the wake of the World Summit on Sustainable Development in Johannesburg, in 2002, Veolia Environnement made access to basic services the central theme of its partnerships. It teamed up with the United Nations and local players to produce three-year agreements spelling out precise objectives, together with a monitoring and assessment mechanism. This experience serves to guide the development aid programs, used by Veolia Environnement teams in the field, as well as to assess company initiatives and extend their socio-economic reach. In addition, Veolia Environnement makes a point of responding to requests from its partners, and of explaining its partnerships through firsthand accounts and descriptions of best practices presented at international gatherings. Among others, it addressed the United Nations Commission on Sustainable Development in New York, in May 2005, concerning access to water; the Congress of the Association of Asian Cities (Citynet) in Hanoi, Vietnam, in October, on the localization of Millennium Development Goals; and the Global Compact Forum, in November 2005, on fighting poverty.

Partnership agreements

At December 31, 2005, Veolia Environnement had signed six official partnership agreements with UNITAR, UN-HABITAT, UNHCR, WFP, UNICEF and UNESCO. Negotiations are in progress with the UNDP and UNEP. These agreements cover eight action programs in 27 countries:

→ The company also plans to extend the socio-economic reach of its activities and assess its impact in the territories concerned: Veolia Environnement is a founding co-partner of UNITAR's CIFAL (International Training Centers for Local Authorities/Actors) designed to build capacity and share operational knowledge for the administration of city services. In 2005, 375 participants from 50 cities in Asia, South America, Europe and Africa attended workshops.



→ Veolia Environnement supports three programs to combat school drop out rates (two in Morocco and one in Niger) by renovating school sanitary facilities.

→ Veolia Environnement is conducting a critical analysis of four field initiatives in the fields of transportation, water and waste management, with a view to formulating guidelines for a public-private partnership focused on urban development, in conjunction with UN-HABITAT.

Financial and human resources

Costs for 2005 are estimated at €1,100,000, made up of €850,000 in direct costs, plus the work of 35 experts representing approximately 350 hours per month.



BEST PRACTICE

Partnering the Red Cross: Veolia Waterforce

Since 1998, the French Red Cross has regularly called on Veolia Waterforce's emergency humanitarian and development aid unit. In seven years, the unit has carried out more than 12 technical support missions for the French Red Cross. More recently, more than 70 volunteers took part in joint missions in aid of tsunami victims, providing water in Indonesia and Sri Lanka.

Veolia Environnement and the French Red Cross signed a humanitarian partnership agreement on April 26, 2005 in order to coordinate their international humanitarian commitments more effectively in future.

SOCIAL PERFORMANCE

Action plan and performance

1. Employment

Challenges and action plan

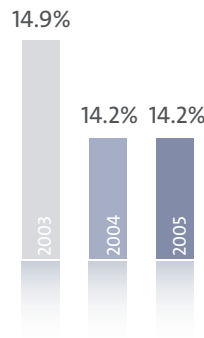
- Reduce employee turnover
- Reduce the forms of temporary employment

2006 objectives

- Reduce turnover rate of employees with unlimited-term contracts to 10%
- Reduce resignation rate to 4%
- Reduce individual dismissal rate to 2%
- Reduce fixed-term contract rate to 4%
- Reduce temporary employee rate to 3.5%

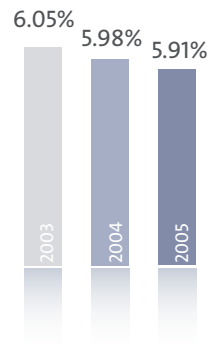
Turnover rate of employees with unlimited-term contracts

Quantified objective



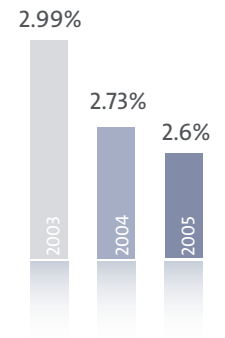
Resignations

Quantified objective



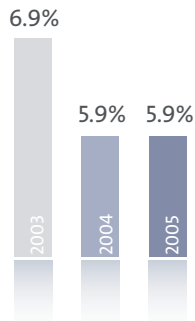
Individual dismissals

Quantified objective



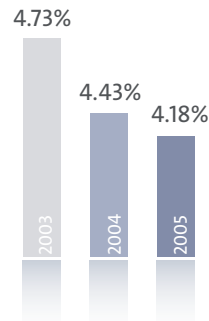
Fixed-term contracts

Quantified objective

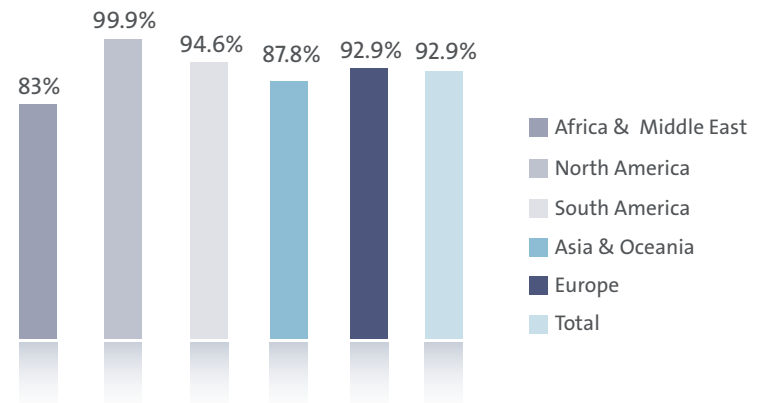


Temporary employees

Quantified objective



Unlimited-term contracts by geographical area in 2005



2. Skills management and development

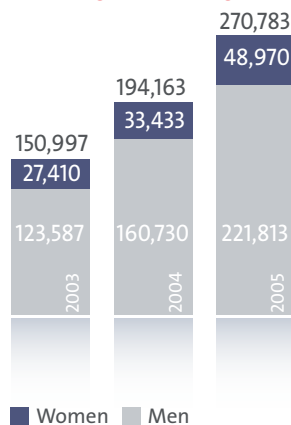
Challenges and action plan

- Manage demographic issues
- Anticipate qualification needs
- Train people in our business activities
- Develop career advancement opportunities
- Provide support for individual career development paths
- Organize job mobility

2006 objectives

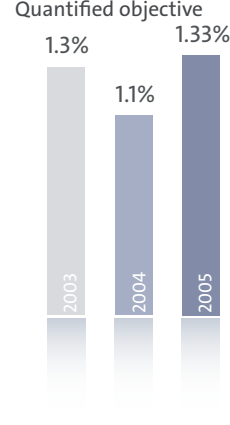
- Increase number of employees in work-study programs to 2%
- Extend Veolia Compétences program to achieve the objective of 6,000 apprenticeship contracts
- Deploy job classification and mapping system

Number of employees benefiting from training

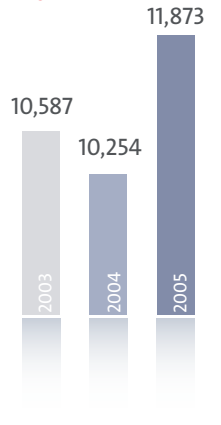


Percentage of employees in work-study programs

Quantified objective



Total number of job transfers

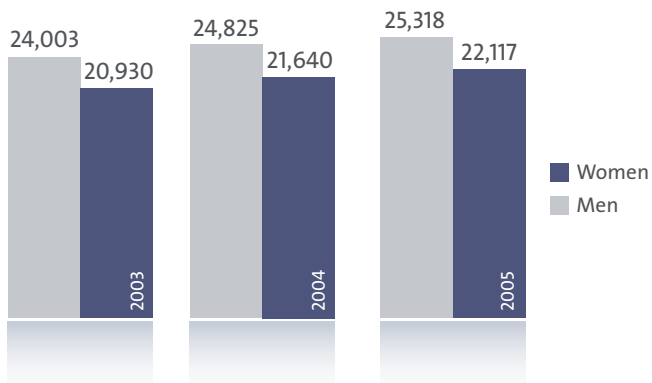


3. Compensation, employee benefits and social protection

Challenges and action plan

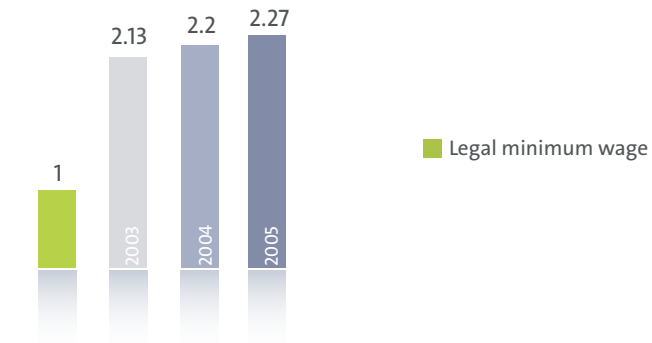
- Provide competitive compensation packages
- Introduce fair compensation policy
- Strengthen social protection
- Put pension arrangements on a sound footing
- Expand employee stock purchase plans

Average annual gross compensation men/women (in euros)



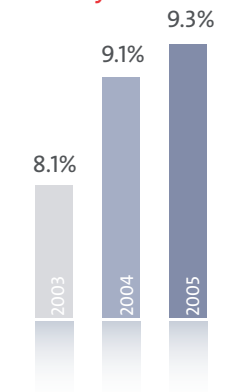
The gap between compensation for male and female employees declined from 12.8% to 12.6% between 2004 and 2005.

Average compensation and average minimum compensation

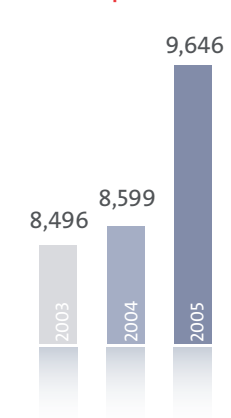


The ratio of average annual compensation for Veolia Environnement employees to average compensation in the 18 countries with a legal minimum wage (where 64% of employees work) increased slightly from 2.13 in 2003, to 2.20 in 2004 and 2.27 in 2005. In those countries, the average salary of Veolia Environnement employees is 2.27 times greater than the legal minimum wage. The 18 countries are Belgium, Czech Republic, Estonia, France, Hungary, Ireland, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Turkey, United Kingdom, United States.

Managerial grade job mobility rate



Number of promotions*



* Job changes leading to a higher grade during the year

4. Length and organization of work time

Challenges and action plan

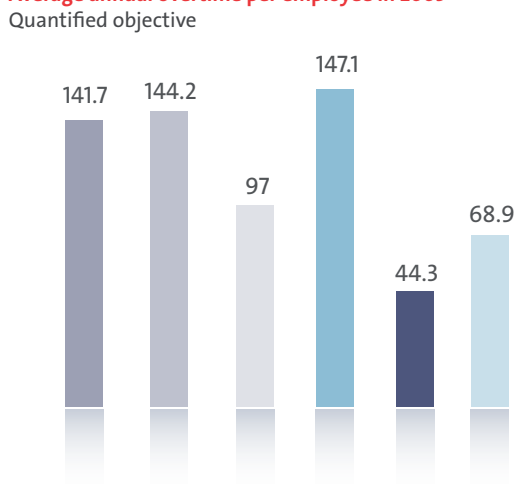
- Reduce absenteeism
- Reduce overtime

2006 objectives

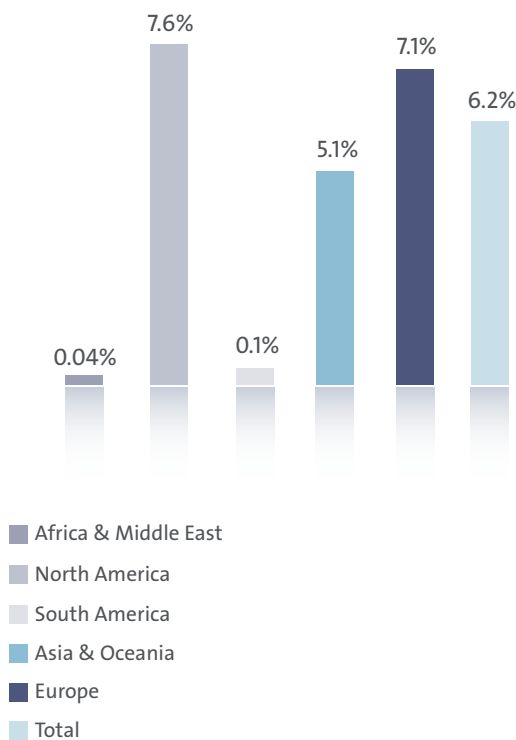
- Reduce absenteeism to 4%
- Reduce average annual overtime to 49 hours per employee

The breakdown of hours worked per week by geographical area is given on pages 50–51

Average annual overtime per employee in 2005



Rate of part-time employees (in full-time equivalent) in 2005



Action plan and performance (continued)

5. Hygiene, health and safety

Challenges and action plan

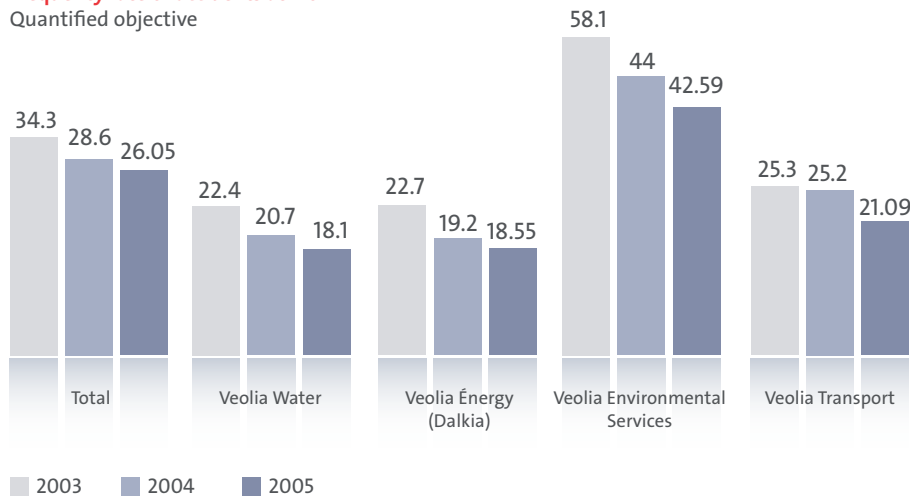
- Reduce the accident frequency and severity rates
- Run a "Hygiene for health" awareness campaign

2006 objectives

- Reduce frequency of accidents at work to 25
- Reduce severity of accidents at work to 0.67

Frequency rate of accidents at work

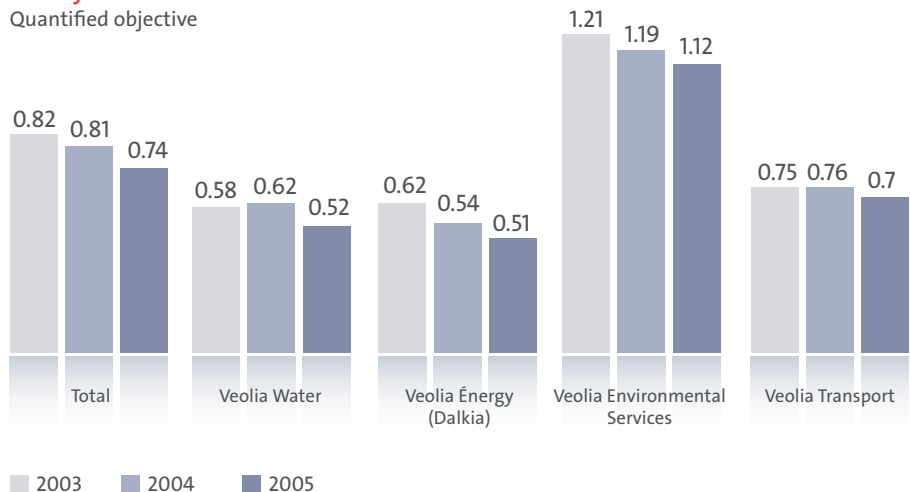
Quantified objective



Frequency rate measures the number of work accidents per million hours worked.

Severity rate of accidents at work

Quantified objective



Severity rate measures the number of days lost per thousand hours worked.

7. Social policy innovation

Challenges and action plan

- Identify, share and reward social initiatives

Objectives

Publish an annual report of social initiatives

6. Labor relations and employer-employee dialogue

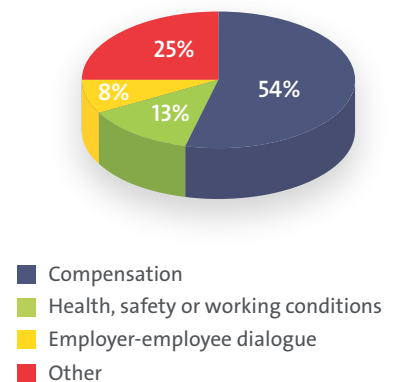
Challenges and action plan

- Ensure employee representation at all levels

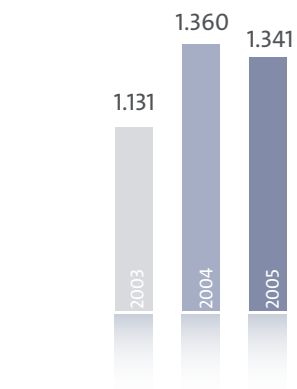
Objectives

- Deploy European Works Council created in 2005

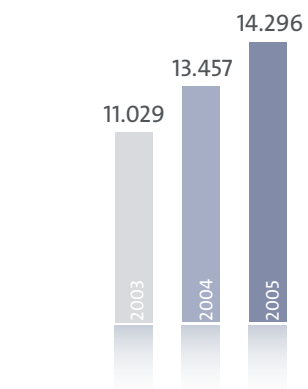
Analysis of collective agreements by subject in 2005



Collective agreements signed



Employee representatives



Human resources policy

Veolia Environnement has had an effective human resources data collection and consolidation procedure in place since 2001. Every year more than 100 uniform indicators are measured in all of the countries the company operates in (64 in 2005). At the same time, we continued to deploy our skills description and management system in 2005, in the form of a common jobs and skills mapping for all Veolia Environnement companies. This is helping us to identify possible “gateways” between different jobs, and to design training and certification processes for each job. Each manager is progressively being assigned a specific classification based on his or her job.

A similar approach is now being applied to supervisory personnel. These two instruments are being used in combination to design career development paths and at the same time anticipate training needs. The Human Resources Forward Planning Department, set up in early 2005, now coordinates the foregoing programs and guides the surveys being conducted by the Social Observatory, which is responsible for studying likely future developments in human resources.

The main focuses of attention in 2005 were:

- Promoting mentoring
- Managing the age structure in operating units
- Absenteeism
- Transmitting know-how to younger generations
- The changing face of local managerial functions.

1. Recognizing people and enriching their skills

The “Veolia Compétences” program

In September 2005, Veolia Environnement embarked on a drive to recruit 3,000 people in France in 2005, 6,000 in 2006, and rising to 8,000 recruitments a year as from

2007. This campaign is titled “Veolia Compétences,” and similar programs will be launched in a handful of other European countries in 2007.

Campus Veolia Environnement

Campus Veolia Environnement was the first training structure established by a private-sector company in the environmental industry. It provides a common platform for nurturing skills across all of the company’s operations, assembling in one place:

- All of the departments responsible for training in the company’s different activities
- An apprentice training center, which took in 750 apprentices in September 2005
- A continuous vocational training center that provides training for nearly 15,000 people annually
- A department responsible for promoting our different trades and maintaining relations with educational institutions with a view to attracting recruits
- Special events (around 10,000 visitors annually).

The Campus caters to two distinct needs. First, initial training for young people joining the company, in the form of alternating work-study programs, in close collaboration with the apprentice training center’s teaching staff, company professionals and apprentice masters. The Campus Veolia Environnement apprentice training center prepares students for 15 different qualifications all the way from basic technician’s certificate up to Master’s degree or equivalent.

Accompanying Veolia Environnement’s international growth, meanwhile, the company has set up training centers elsewhere in the world, in the Czech Republic, Morocco and the United Kingdom; other centers in Australia, China, Gabon, Germany and Sweden are also contributing to this process.

2. Protecting employees’ health and safety

Each company division has implemented its own wide-ranging preventive policies, focusing primarily on:

- Identifying and assessing risks, and integrating preventive measures into operating processes, in line with the approach launched in 2002 in the different business units. Veolia Energy (Dalkia), for example, has pursued its drive to deal with *Legionella* risk and eliminate asbestos from its facilities
- Training and briefing employees. Veolia Environmental Services, for example, held an international awareness-building day in 2005
- Reinforcing the safety officers network, especially outside France
- Providing support to industrial accident victims, both when absent on sick leave and when they resume work
- Ensuring employees’ safety when traveling on business or working in high-risk countries. A monthly travel advisory is circulated, listing countries subject to a travel or residency ban, or requiring special precautions.

The health of both employees and local populations wherever they operate is treated as a key concern the world over, and is a matter of special attention in countries experiencing serious epidemics. This policy has given rise to a variety of practical measures, including:

- Veolia Environnement joined the Global Business Coalition on HIV/AIDS in 2004 and is now working with the Institut Pasteur on a major prevention and treatment campaign in Gabon
- A hygiene awareness campaign (“Hygiene for my health”) is encouraging hand-washing as an effective means of infectious disease prevention
- In Tangier, Morocco, Veolia Water continued to implement the program launched in 2004 to improve water and wastewater networks, combined with hygiene and environmental awareness building

→ Lastly, Veolia Environnement has put in place an organization and formulated action plans to deal with an H5N1 avian influenza pandemic, in order to be able to protect employees' health and maintain essential community services.

3. Promoting employee-employer dialogue

Following the installation of the French Works Council, Veolia Environnement signed an agreement on October 10, 2005 creating a European Works Council. The agreement institutes a forum dedicated to employee-employer dialogue in each country in Europe, although the national level remains the traditional framework for negotiations between management and employee representatives.

At the second, or country, level, information and consultation forums with equal employee and employer representation have been set up to discuss issues cutting across divisional or business unit boundaries. The third level is the European Works Council. This is expected to intensify still

further the company's already highly developed consultation and negotiation processes. Altogether, these processes involve 14,296 employee representatives worldwide and resulted in the signature of 1,341 agreements in 2005. Of these, 54% concerned pay, 13% health, safety and working conditions, and 8% employee-employer dialogue.

4. Promoting staff involvement and social innovation

The third annual compilation of social initiatives describes nearly 300 initiatives in 40 countries. The five most innovative projects were distinguished on the occasion of the Social Initiatives awards held in April 2005.

5. Linking pay, social protection and employee profit-sharing

Veolia Environnement's pay policy seeks to:

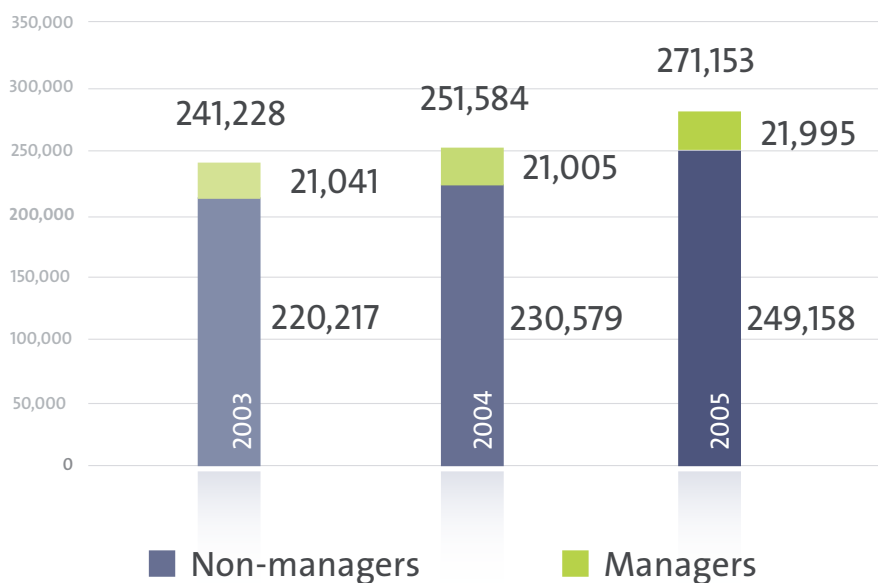
- Offer competitive pay relative to the markets and countries concerned
- Offer employees fair pay related to their personal efforts

- Provide greater social protection
- Place existing pension arrangements on a secure basis in the different countries concerned
- Encourage employee savings.

Veolia Environnement's employee liabilities for 2005 were consolidated via the system introduced in 2004. These represent an estimated €1.57 billion, an increase of 33% over the previous year. Defined benefit pension plans account for 93% of this figure. The other liabilities consist of end-of-contract indemnities, health cover for retirees, and long-term service awards. This consolidation exercise covered 27 main countries.

With 20,605 employees subscribing, representing around 14% of employees in the 15 countries eligible, participation in the employee stock purchase plan in 2005 increased by almost 35% relative to 2004. Altogether, nearly 40,000 employees currently hold shares in the company.

Work force by professional category at December 31, 2005



BEST PRACTICE

Health awareness for employees

At the 2005 Managers' Convention, 550 Veolia Environnement employees took up the offer of a physical checkup.

Ten questions about personal health-related habits (alcohol intake, smoking, medications, diet, sleep, stress) and four tests (heart rate, respiratory capacity, muscular strength, and suppleness) resulted in a health profile for each participant, with the option of receiving personalized advice from a physician.

This health awareness operation demonstrated the interest company managers take in their own health and that of their fellow workers.

Diversity

1. Diversifying recruitment

Veolia Environnement employs people of over 80 nationalities. Our concern at all times has been **to avoid imposing our own management models, and to entrust the running of our companies to local managers.** We have paid special attention to this issue for several years in our French operations. Our first concern is to enable **people not in work to find work in our companies,** regardless of their origins, as expressed in our youth apprenticeship policy for more than 10 years now. Our **applicant selection procedures** too seek to respect people's differences. For semi-skilled workers in France, for example, Veolia Environnement's companies are implementing the "recruitment by simulation" method used by the national employment agency (ANPE). This is designed to select applicants primarily on the basis of their ability to do the job.

In fall 2005, Veolia Environnement signed a nationwide agreement with the ANPE as part of its Veolia Compétences recruitment drive.

2. Promoting equality of opportunities

Veolia Environnement companies regularly take part in initiatives to promote diversity in the workplace, organized by various bodies concerned with integrating people into working life.

For example, subsidiaries operating in disadvantaged Paris region neighborhoods took part in a campaign titled "There's talent in our neighborhood." Around 100 young graduates from immigrant communities were invited for interviews, which helped enhance our managers' perceptions of them. Also, an agreement signed in 2004 with the departmental council of Seine-Saint-Denis, an administrative district with a large immigrant population, has already led to the recruitment of 250 people, working in conjunction with the ANPE, local agencies and local residents'

associations. Veolia Environnement received a second award by the France-Maghreb association for its work on this project.

We have also launched **literacy** programs designed not only to teach employees lacking these basic skills to read and write, but also to bring them up to initial qualification level and restore self-confidence.

3. Integrating disabled workers

Despite the nature of our activities, Veolia Environnement companies **regularly hire workers with disabilities.**

Veolia Water and Veolia Environmental Services have recently renewed their agreements with the AGEFIPH, a French organization formed to boost employment of disabled people, with a view to hiring more disabled people.

4. Encouraging gender equality

Our companies are in a rather special situation regarding **gender equality,** since much of our work is physically demanding and traditionally done by men. However, women currently account for 19.4% of Veolia Environnement personnel, and 20.3% of its managerial grade employees.

5. Promoting ethnic and national diversity

Making room for diversity also means bringing in people of different ethnic and national origins. Many of our business units employ a particularly high proportion of employees of foreign origin or nationality. This raises certain practical difficulties connected with people's way of life or religious customs. Some of our subsidiaries also occasionally face problems of racism in relations with customers. We seek to resolve these issues pragmatically, respecting people's differences while encouraging respect for certain common rules applicable throughout the company.



BEST PRACTICE

Two female employees describe how Veolia Transport, Denver (USA) tackles diversity

Cynthia Cavliere, Human Resources Manager

"Transportation and jobs play an essential role in our societies, and mobility is a major issue. The Denver (USA) mass transit system realizes this, and has proved it via its employee hiring and training procedures, and through the services it provides to its customers. Our strategy consists in telling staff and customers with disability about our purpose-designed services, job vacancies and procedures for promoting equality of opportunity. Hiring workers with disability is an ongoing process. It entails working through a wide range of media, relations with the different religious communities, neighborhood associations, schools, and jobs forums."

Linn Elmer, Customer coordinator for compliance with the Americans with Disabilities Act (ADA)

"An important aspect of the process of enabling people with disabilities to gain access to transportation is to have a full-time person dedicated to this issue. You need to train and advise the workers whose work involves dealing daily with these questions. You also have to ensure compliance with all the different regulations concerning accessibility to transportation. Continuous contact with our customers allows us to evaluate our performance and improve the quality of service."

Human rights

Veolia Environnement is confronted with a variety of social situations due to its broad geographic presence. Within that context, it fully intends to shoulder its responsibilities concerning enforcement

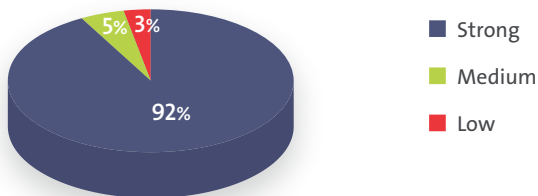
of the basic labor rights of its employees in all its subsidiaries, consistent with the commitments expressed in its Ethics, Belief and Responsibility program. These two pages present the diversity

of the situations in which we operate, and a number of indicators we monitor in such areas as employee-employer dialogue, working hours, training, social protection, and so on.

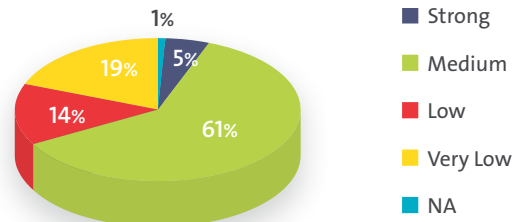
Contextual indicators:

Exposure to human rights risk in countries where Veolia Environnement operates

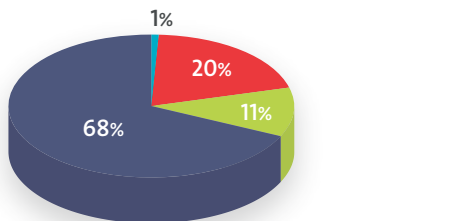
Breakdown of Veolia Environnement work force by degree of civil and political freedom—2005
Source Freedom in the World, 2004 data



Breakdown of Veolia Environnement work force by degree of protection from dismissal
Source World Bank, 2004 data

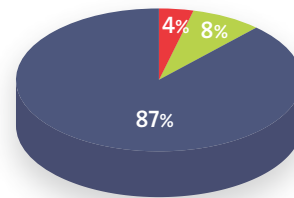


Breakdown of Veolia Environnement work force by legal limits on working hours
Source World Bank, 2004 data



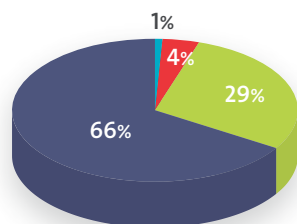
- Countries with low limits on working hours
- Countries with strong limits on working hours
- Countries with medium limits on working hours
- NA

Breakdown of Veolia Environnement work force by level of education
Source UNESCO, 2004 data



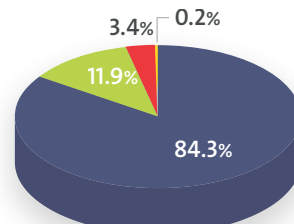
- Countries with low level of education
- Countries with high level of education
- Countries with medium level of education
- NA

Breakdown of Veolia Environnement work force by level of women's representation compared with the total working population
Source World Bank, 2004 data



- Countries with low level of women's representation
- Countries with high level of women's representation
- Countries with medium level of women's representation
- NA

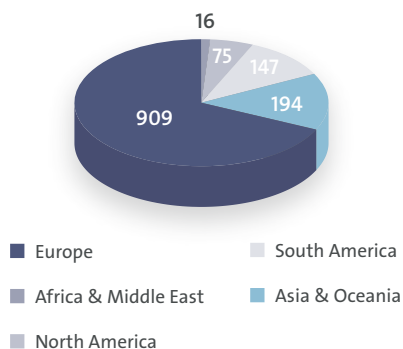
Breakdown of Veolia Environnement revenue by perceptions of business ethics by country
Source Transparency International, 2004 data



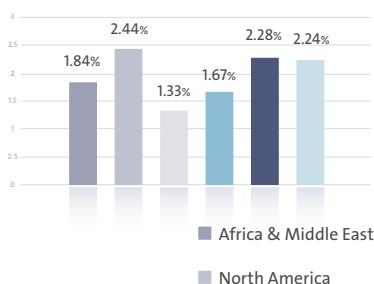
- Strong
- Low
- Medium
- Very Low
- NA

Veolia Environnement Indicators - 2005

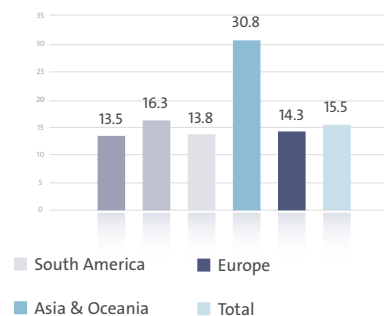
Number of collective agreements signed



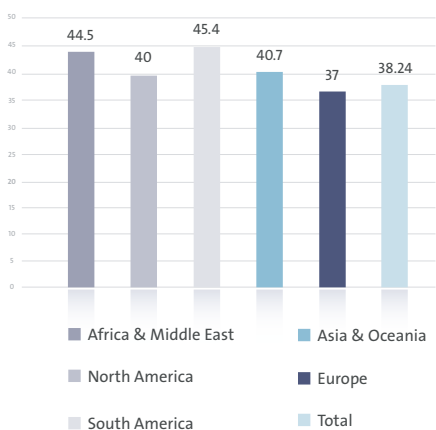
Share of training expenditures as percentage of payroll costs



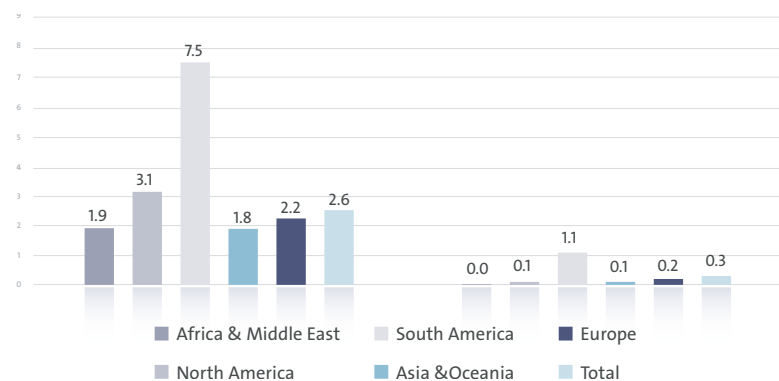
Average length of training courses (in hours)



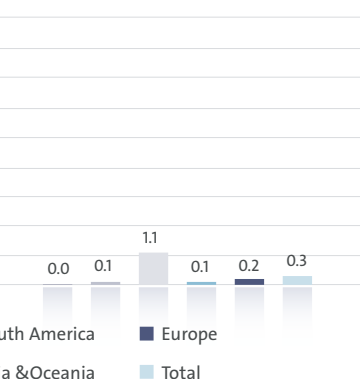
Hours worked per week



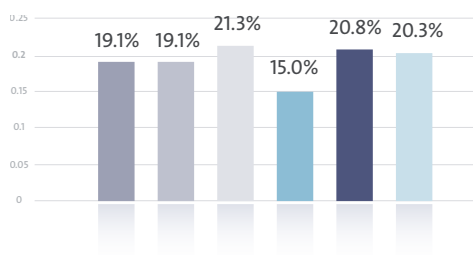
Number of individual dismissals per 100 employees



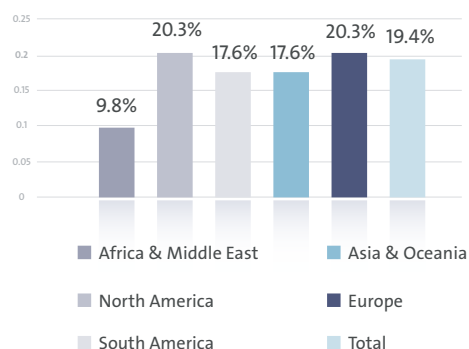
Number of collective dismissals per 100 employees



Women executives as percentage of total executives



Percentage of women in total work force



Jacques-Noël Bouttefeux-Leclercq

Amnesty International, French section, Business Group

Commitment

"A company like Veolia Environnement can play a more active role in human rights by adopting the draft United Nations standard and/or by joining the Business Leaders Initiative for Human Rights. This project offers businesses a tangible operational formula with an accompanying control system. For example, Veolia Environnement could incorporate this into its contracts in order to build awareness among its suppliers."

Challenges

Veolia Environnement faces a twofold challenge: to convince stakeholders that the company respects human rights, and that its projects are managed with due regard to their impact on human rights.

Risks

Its businesses are particularly exposed to the risk of corruption, especially via the contract-negotiating process in certain countries, where the difficulty lies in not becoming an accomplice of the regime. The other fundamental risk concerns discrimination in access to resources. In addition, Veolia Environnement must deal with risks specific to each context. In China, for example, businesses are supposed to comply with article 35 of the Constitution, which unreservedly guarantees full trade union freedoms, even if political and cultural impediments remain. In India, Veolia Environnement must pay attention to the risks of discrimination between castes, ethnic groups and religions. In general, Veolia Environnement must tackle the challenge of development by making the leap from enhancing shareholder value to enhancing societal value, and contributing to the economic, human and social development of its stakeholders."

ENVIRONMENTAL PERFORMANCE

Our Environmental Management System

How the EMS works

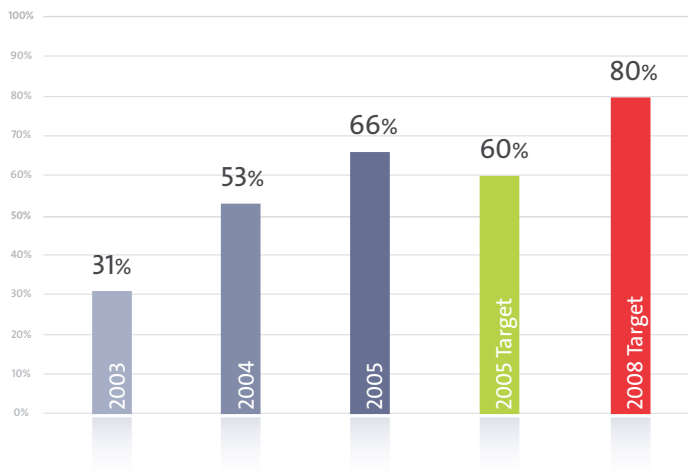
The Environmental Management System (EMS)[®] is the process whereby the company implements its policies in the fields of the environment and public health. It is common to all its businesses, and comprises three levels of responsibility (company, divisions, and business units[®]), enabling the company to control and mitigate the impact of activities on the environment. Within the Environment Department, an Environmental Management Committee consisting of the heads of environmental affairs in each division meets monthly to coordinate deployment of the EMS and the implementation of action plans in each of the 182 business units.

In 2005, Veolia Environnement successfully completed its first three-year Environmental Management Program.

In 2006, the company will be pursuing its drive to:

- Deploy an EMS in 80% of relevant activities[®] by the end of 2008
- Perform environmental audits in 100% of priority facilities[®] by the end of 2008.

Percentage of relevant revenue covered by an EMS (including ISO 14001 certified facilities)

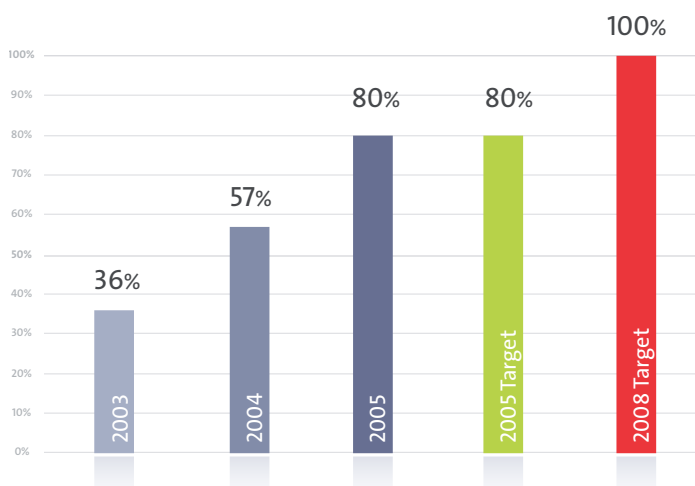


The company's policy of mobilizing all employees around a single process of continuously improving environmental performance is taking practical shape. The activation of the environment managers' network throughout the company's business units was a major step toward a more mature environmental approach.

The Environmental Management System's deployment rate increased by 13 percentage points in 2005, pushing the company 6 percentage points beyond the 60% target set in 2002.

This outcome is especially impressive given that the relevant revenue scope fell by 10% in the same period, due to its alignment with the new International Financial Reporting Standards[®]. IFRS exclude from revenue recognition any income collected on behalf of third parties, thereby trimming our EMS deployment rate by 2 percentage points.

Percentage of priority facilities audited (cumulative since January 1, 2002)



With more than 1,200 priority facilities across the company, the scope of audits completed has expanded slightly with the inclusion of new Veolia Transport sites.

We have completed a highly ambitious program thanks to our efforts to structure the company's environmental audit policy, and planning and management of these audits in accordance with formal principles geared to each activity.

A total of 533 sites were audited in 2005, bringing the completion rate to 80%, consistent with the target set in 2002.

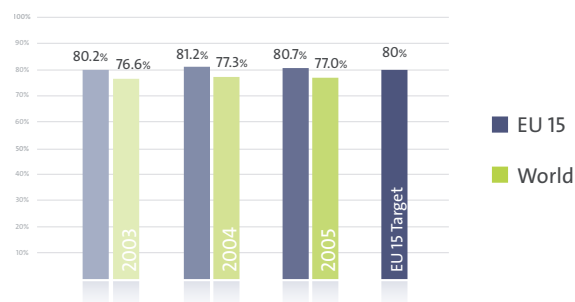
Preserving natural resources

1. Conserving water resources

Action plan and objectives

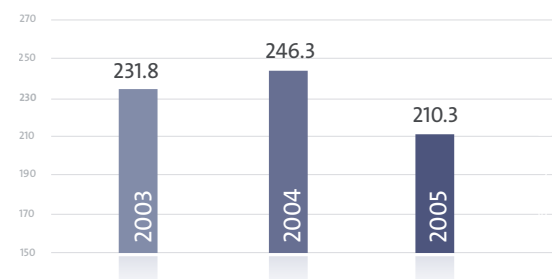
- Reduce leakage in drinking water distribution networks and maintaining network efficiency[©] above 80% in the EU 15.
- Curb the company's consumption of industrial water.

Water distribution network efficiency in the EU 15



Water distribution network efficiency has remained above 80% in the European Union 15.

Veolia Environnement industrial water consumption (in millions of cubic meters)



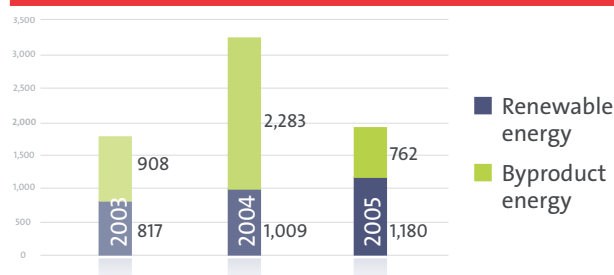
Despite a 1.1% increase in quantities of water distributed, Veolia Environnement's internal consumption (primarily its water division) for the production of drinking water (washing filters, purging sedimentation tanks, etc.) is down 15% in volume terms.

2. Conserving energy resources

Action plan and objectives

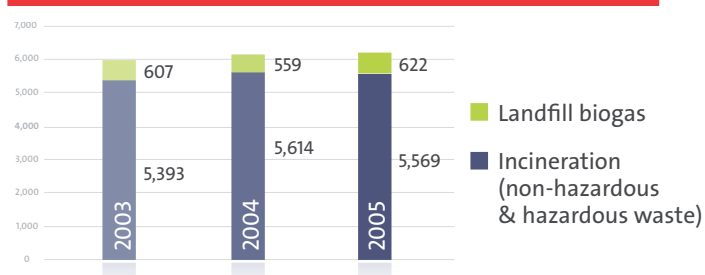
- Develop renewable energies[©] and converting waste to energy[©], raising the share of renewables in total energy production.

Consumption of renewable and byproduct energy (Veolia Energy (Dalkia) – in thousands of MWh)



Veolia Energy (Dalkia) has sustained its efforts to promote the consumption of renewable energy[©], which has increased by 17%. On the other hand, the volume of byproduct energy[©] utilized has decreased owing to the decline in the quantity of byproduct gas available in coking plants in the Czech Republic.

Energy recovery from waste (Veolia Environmental Services - in millions of MWh)



Most of the energy produced from waste comes from incineration. This indicator shows little change due to the decline in production in 2005, a significant number of incinerators in France having been shut down in order to bring them into compliance. Production of energy from landfill[©] biogas[©] increased by 10%.

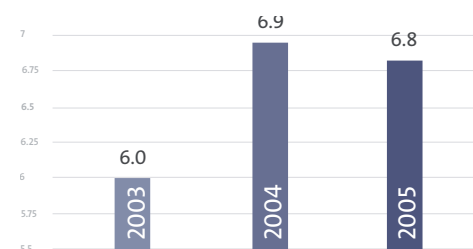
3. Conserving raw materials

Action plan and objectives

- Develop materials recovery and recycling, raising their share of total volumes treated.

Ongoing efforts to promote reliable, diversified waste recovery and recycling processes allow us to produce a wide range of secondary raw materials. Among these, recycled cellulose fibers and scrap metal already account for more than half of the raw materials supplied to the world's paper and steel mills.

Quantity of waste recovered and recycled (in millions of metric tons)

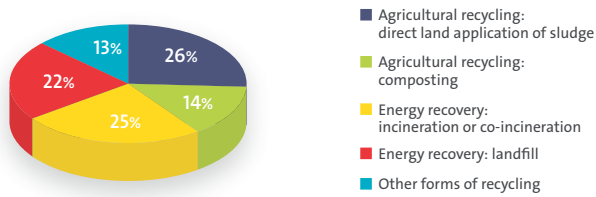


4. Preserving soil and biodiversity ©

Action plan and objectives

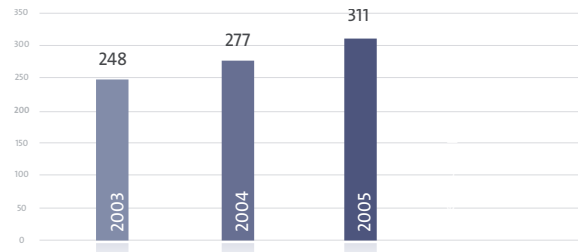
- Increase the share of agricultural recycling in the total volume of waste treated.
- Promote ground decontamination by increasing the quantity of remediated soil.

Sludge recycling in 2005



The company has the necessary expertise to manage all the different processes for recycling sludge produced in its wastewater treatment plants. Agricultural recycling accounts for a substantial share of this recycling, with 40% of sludge either applied on land or composted©. Other forms of treatment (landfill and incineration) are gaining in importance, however, as are new outlets such as replanting.

Quantity of remediated soil (in thousands of metric tons)



The quantity of remediated soil has risen by 12% for the second consecutive year, confirming Veolia Environmental Services' growing involvement in soil remediation in response to fast-growing needs in Europe, the United States and the Pacific.

Mitigating our impacts

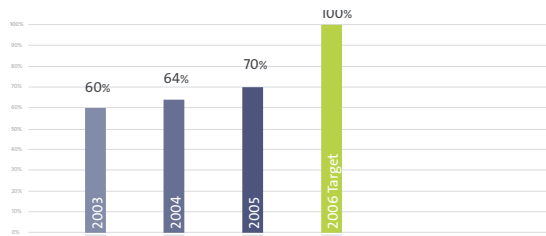
1. Combating climate change

Action plan and objectives

- Contribute to the reduction of CO₂ emissions through energy services contracts by improving the efficiency of facilities with a capacity exceeding 20 MW.
- Fit biogas recovery and treatment systems to all landfills© by the end of 2006.

Percentage of landfills recovering and treating biogas

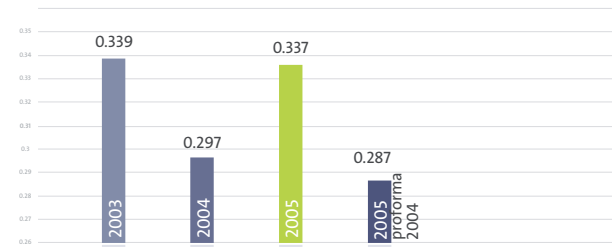
(in operation and where Veolia Environmental Services is in charge of capital investment)



Methane emissions play a crucial role in climate change. Consequently, Veolia Environmental Services set a target of 100% of its landfills to be equipped to recover and treat biogas by the end of 2006. With an increase of 10% relative to 2004, 70% of landfills are now so equipped.

Net CO₂ emissions /thermal MWh produced

(Veolia Energy (Dalkia) – in CO₂/MWh)



Veolia Energy (Dalkia) has sustained its drive to cut its CO₂ emissions. Due to the integration of new coal-burning units, the figure for 2005 does not reflect the real improvement. Based on the 2004 scope, the quantity of CO₂ emitted per thermal MWh produced fell by 3.4%, thanks to the company's efforts to improve both production and distribution efficiency.

In Tallin (Estonia), for example, heating has been optimized in housing units served.

2. Environmental health

Action plan and objectives

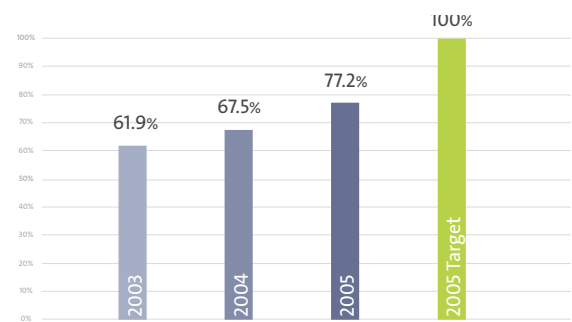
- Monitor drinking water quality.
- Reduce dioxin emissions by improving treatment of incinerator flue gases.
- Reduce the risk of *Legionella* in our systems.

Under European directive 2000/76/CE on waste incineration, which took effect on December 28, 2005, dioxin emissions must be less than 0.1 ng/Nm³.

All incinerators where Veolia Environmental Services is in charge of capital investment were in compliance by the stipulated deadline. However, since dioxin emissions are monitored year-round, some exceeded 0.1 ng/Nm³ where work on upgrading plants was not yet completed. Consequently, only 77.2% of the tonnage of waste treated for the year was in compliance.

Share of waste treated in incinerators

(where dioxin emissions are below 0.1 ng/Nm³ and where Veolia Environmental Services is in charge of capital investment)



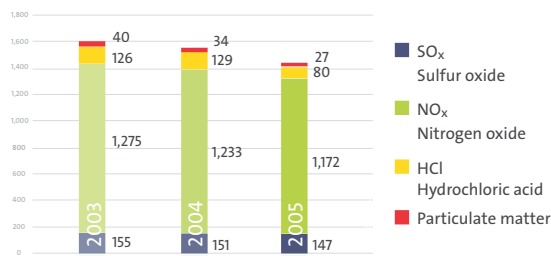
3. Limiting atmospheric pollution

Action plan and objectives

→ Promote the use of cleaner fuels and vehicles, reducing bus CO emissions by 20%, HC emissions by 16%, and particulate emissions by 22% by 2005.

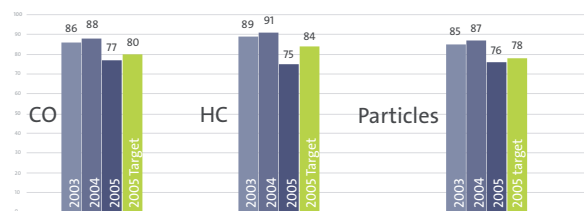
→ Reduce emissions of pollutants by improving treatment of incinerator flue gases.

Emissions by waste incineration plants (hazardous and non-hazardous - in g/metric tons of waste incinerated)



Incinerator emissions have been falling steadily since 2003, reflecting our efforts to install new equipment and improve treatment of incinerator flue gases. The improvement has been especially significant for HCl and particulate matter emissions, which have fallen by 38% and 18% respectively.

Unit emissions by Veolia Transport passenger transit vehicles



The targets for reducing passenger transportation vehicle pollution have been fulfilled. CO and particulate emissions are down 12%, exceeding the target set in 2002 by 3 and 2 percentage points respectively. Similarly, HC emissions have fallen 17%, exceeding the target set by 9 percentage points. This stems from a combination of fleet renewal and the large-scale introduction of very low sulfur diesel fuel in the European Union.

4. Limiting the discharge of pollutants into water

Action plan and objectives

→ Collect and treat leachates[©] by equipping all landfills by 2005.

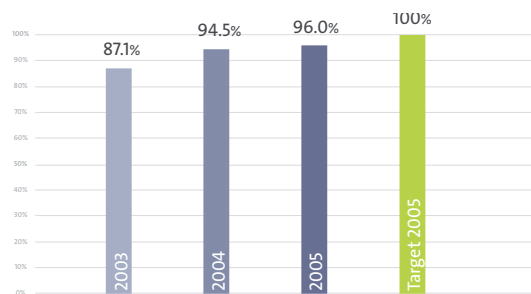
→ Improve treatment efficiency by maintaining wastewater treatment plant efficiency above 80%.

Wastewater treatment plant efficiency (capacity exceeding 50,000 inhabitants equivalent)



Despite the observed variation, plant efficiency remained well above the 80% target for the third consecutive year. Veolia Water is studying the utility of further parameters in addition to biological oxygen demand (BOD5) for the purpose of measuring treatment efficiency, to reflect more accurately the efficiency of current treatments and with a view to setting new targets.

% of landfills collecting and treating internal and external leachates, at sites where Veolia Environmental Services is in charge of capital investment



The number of landfills equipped to collect and treat leachates continued to grow in 2005. Now nearly all of our landfills are equipped with systems to avoid the risk of leachate discharge into the natural environment, and hence the risk of groundwater and waterway pollution.

Quality of water distributed

As part of its proactive drive to improve the quality of water distributed, Veolia Water carries out additional quality controls on top of the regulatory analyses.

→ For all parameters measured, 98.7% of results are compliant with regulations in force in each country.

→ Compliance rises to 99.3% for bacteriological parameters.

Mitigating the *Legionella* risk in our systems

Veolia Energy (Dalkia) has revised its indicator as a result of the international deployment of its *Legionella* proliferation risk prevention system

The indicator comprises four equal weighted components:

- A prevention plan adapted to each country and consistent with the company system
- Building employee awareness of the *Legionella* risk
- An audit of each of the sites at risk and fulfilling our duty to advise
- Deploying technical systems compliant with the prevention plan

Deployment of the *Legionella* risk prevention plan was 80% completed in 2005, a considerable improvement for the company relative to its revised 2004 figure of 44%.

The impact of our activities

1. Identifying our own impacts

Veolia Environnement's degree of responsibility for the environmental impact of its activities depends directly on the extent to which it is able to control these.

If we consider that the company's own impacts correspond to those for which it is fully responsible, then these may be identified according to the following four-tier gradient, reflecting the precise degree to which we control these risks:

1- Impacts of Veolia Environnement's administrative sites

These sites notably house the functional units that serve to organize the company's activities. Like any company, Veolia Environnement has its own facilities for this purpose and is therefore fully responsible for the resulting environmental impacts.

Estimations yield the following values:

→ Own water consumption: 4.3 million cubic meters

→ Own energy consumption: 1.372 million MWh

→ Own waste production: 0.089 million metric tons

→ Own CO₂ emissions: 0.407 million metric tons

Impacts of facilities operated by Veolia Environnement

As a service provider, Veolia Environnement frequently does not own the facilities it operates on its clients' behalf. Consequently, we do not necessarily fully control the corresponding investments. Yet it is often necessary to carry out investments to maintain facilities in working order or to renovate them, in order to control their environmental impacts.

2- Facilities where Veolia Environnement is in charge of capital investment

In this case, Veolia Environnement fully controls the necessary means to mitigate environmental impacts, and assumes responsibility for those impacts in its capacity as operator. It identifies the impacts, defines objectives and action plans, then implements the necessary means to achieve them.

3- Facilities where Veolia Environnement is not in charge of capital investments

In this case, Veolia Environnement does not fully control the necessary means to mitigate environmental impacts. It defines action plans and the necessary means for their implementation in conjunction with the organizing authority (municipality or industrial client), which has the sole responsibility for the corresponding investment decisions.

4- Impacts of consumers

Our activities are directly connected with the needs of customers or the treatment of waste generated by them. Although not responsible for these impacts, and unable to guarantee its capacity to reduce them, Veolia Environnement encourages consumers to behave as eco-citizens. This kind of behavior contributes to the protection of the environment by enabling us to provide simpler, less costly forms of treatment.

→ By informing consumers, installing individual meters and advising municipalities on pricing policy, we encourage people to use water responsibly.

→ By advising our clients on how to design products that are easier to recycle, and on how to produce less waste, we encourage them to reduce the volume of waste at the source and generate more readily recyclable forms of waste.

→ By installing individual control devices and separate meters in the home, we are encouraging more rational energy use.

2. Veolia Environnement's position on the question of needs

The customer, whether individual or industrial, occupies a central position in the different services provided by Veolia Environnement. Services may be distinguished according to whether they directly answer a customer's need, or whether they result from the customer's act of consumption.



Alzano Lombardo, Italy



3. The net benefit from our activities

The negative impacts of our activities have to be compared with their positive impacts in order to determine the net benefit. The main impacts of our activities are as follows:

Activity	Main negative impacts	Main positive impacts
Water	<ul style="list-style-type: none"> → Industrial water consumption → Energy consumption → Production of sludge 	<ul style="list-style-type: none"> → Drinking water meets requisite health standards → Reduction of pollutant discharges into the natural environment → Reduction of diseases resulting from contact with wastewater → Reduction of and control over impact of sludge in recycling processes
Waste management	<ul style="list-style-type: none"> → Greenhouse gas emissions → Air pollution 	<ul style="list-style-type: none"> → Reduction of emissions into the natural environment → Green energy production → Recycled materials production → Reduction of diseases caused by contact with waste
Energy services	<ul style="list-style-type: none"> → Fossil energy consumption → Greenhouse gas emissions → Air pollution 	<ul style="list-style-type: none"> → Energy needs (heating and cooling) satisfied with optimized energy efficiency and CO₂ performance → Greenhouse gas emissions avoided due to renewable energies and the spread of cogeneration©
Transportation	<ul style="list-style-type: none"> → Fossil energy consumption → Greenhouse gas emissions → Air pollution 	<ul style="list-style-type: none"> → Greenhouse gas emissions and air pollution avoided due to mass transit systems

Protecting water resources

Water resources are becoming fragile and scarce in many parts of the world, as humans make increasing demands on them. Average annual water consumption for all activities combined has soared from 400 cubic meters per capita to 800 cubic meters per capita in the last 50 years. Even in regions generously endowed by nature with water, we have gone from a state of abundance to one of progressive scarcity, especially where new needs are arising. Asia's monsoons regularly fail to supply sufficient water to match recent population and economic trends. In Europe, drought is an increasingly frequent occurrence, and restrictions on water use are becoming commonplace. In France, many groundwater sources are struggling to return to their normal levels, and in 2005 the government introduced a plan to tackle water shortages.

The problem is more acute in arid regions. Rainfall is irregular and weak, and the groundwater is replenished only very slowly. Added to this is the use of water resources for industrial purposes, the need to irrigate crops, intense evaporation of surface water, the deteriorating quality of resources or inadequate wastewater treatment, and so on. For all these reasons, it is becoming harder to strike a balance between water supply and demand.

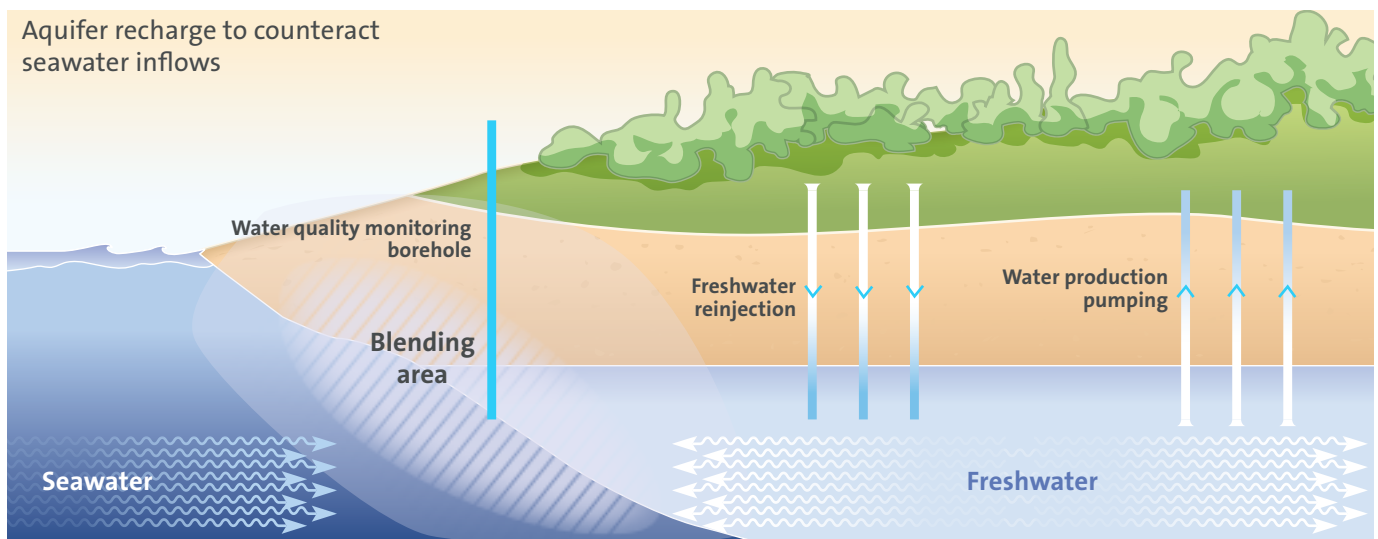
In places as far apart as Adelaide (Australia), Windhoek (Namibia), Ashkelon (Israel), Berlin (Germany), Lyons or the Paris region (France), Veolia Water's technical and managerial expertise are helping to manage and preserve these scarce, fragile water resources. Municipalities draw on our know-how to make optimal use of existing resources, conserving water

and encouraging consumers to behave more responsibly. This know-how is also helping to create new resources (by tapping freshwater sources or exploiting alternative resources such as wastewater and seawater), and to install wastewater collection and treatment systems. In combination, these solutions are providing responses to situations of temporary or chronic water scarcity, and reducing one region's dependence on others. Today, for instance, Veolia Water recycles 2 million cubic meters of water daily in more than 100 plants (out of a worldwide production of 19 million cubic meters a day) and produces 3 million cubic meters of water a day by thermal or membrane desalination in around 100 plants.

Water shortages are practically no longer inevitable. It is possible to supply water in adequate quantities and quality

Seawater desalination plant, Ashkelon, Israel





in arid areas, but it does sometimes require considerable technical and financial skill. By conserving water, reusing wastewater or making use of desalination, we can look to the future with reasonable optimism. In Berlin, with its population of 3.4 million, 28% of the water supply now comes from recycling. Altogether, a mere 1% of the world's drinking water currently comes from desalination, even though a quarter of the population lives within 25 kilometers of the sea. One of Veolia Environnement's ambitions, therefore, is to make water "sustainable."

Case study: reusing wastewater and aquifer recharge in Adelaide (Australia)

Adelaide, capital of the state of South Australia, has a population of over 1 million. Since 1996, Veolia Water has operated the water and wastewater services in this state, known as the most arid in the region. The main source of water is the Murray River, one of the most polluted in Australia. On top of that, there has been a cumulative rainfall deficit in recent years, combined with steady growth in demand for water.

To cope with future demand, the government of South Australia embarked on a program to harness additional resources—chiefly rainwater and treated wastewater.

Recycling is carried out at three treatment plants, namely:

→ The Bolivar plant. With a capacity of 150,000 cubic meters a day, it supplies water to:

- Irrigate 200 horticultural centers in the Virginia region
- Restore the aquifer to its initial level during the winter, for pumping in summer
- Supply non-drinking water for watering gardens, toilet flushing and car washing.

To comply with the standards set by the Health Commission and the Environmental Protection Authority, treated wastewater is subjected to additional treatment on leaving the plant, in the form of lagooning, flotation, filtration and disinfection by chlorination.

→ The Glenelg plant, capable of treating 54,000 cubic meters of wastewater a day and recycling 2,500 cubic meters,

to irrigate golf courses and parks and gardens, and for flushing the toilets at Adelaide Airport.

→ The Christies Beach plant, which treats 30,000 cubic meters of wastewater a day, of which 6,300 cubic meters can be retreated daily to irrigate the Willunga Basin vineyards.

Altogether, 28% of wastewater is reused at the Bolivar plant, and 22% at Christies Beach. Wastewater recycling has considerably mitigated the environmental impacts of the Bolivar and Glenelg plants, and reduced the City of Adelaide's dependence on the Murray River for its water supplies.



BEST PRACTICE

Seawater desalination at Ashkelon (Israel)

The region of Ashkelon, south of Tel Aviv, faces a severe water shortage due to climate change and over-exploitation of resources. Groundwater levels have never been so low. To satisfy the growing demand for water, the local authorities looked to the sea—desalination offers an alternative source of water in unlimited quantities. It enhances the region's autonomy in terms of water supplies while underpinning its economic development.

With a capacity of 320,000 cubic meters per day, Ashkelon is the largest membrane desalination plant in the world. Its reverse osmosis desalination costs are also among the lowest in the world, making this an economically competitive alternative technique.

Veolia Water and its two Israeli partners (Israel Desalination Engineering and Dankner) won the contract in 2002 to build and operate the plant, which has an annual capacity of 108 million cubic meters.

Biodiversity

“Changes in biodiversity due to human activities were more rapid in the past 50 years than at any time in human history”

(source: Millennium Ecosystem Assessment)

Veolia Environnement has developed a two-pronged response to the major question of biodiversity[©]:

→ Describing the impacts of our activities.

→ Introducing a procedure for managing this question and integrating it into the EMS.

1. Describing our impacts

Veolia Environnement is contributing positively to the preservation of biodiversity by reducing the burden of pollution on ecosystems[©]. However, our activities can have secondary impacts, and it is our duty to control these and mitigate them.

This year, we assessed the impacts of our water activities, given their importance to the company and their powerful interaction with a wide variety of land and aquatic ecosystems. In subsequent years this assessment will be extended to the waste management division, focusing on landfills in particular.

Wastewater treatment

Treating municipal and industrial effluent in a wastewater treatment plant improves the quality of discharges. This serves to mitigate the impact of polluting substances on the receiving aquatic environment (rivers, artificial lakes, or marine environments) by comparison with raw, untreated discharges. This helps protect habitats and preserve biodiversity.

But particular care is called for: for example, residual phosphorus and nitrogen levels, though lower than

before treatment, may artificially enrich a waterway or lake and contribute to a process of eutrophication[©].

It is therefore important to assess the sensitivity of the receiving aquatic environment in order to adapt the wastewater treatment process accordingly and, where necessary, to propose alternative wastewater treatment methods. Veolia Environnement's Research and Development is investigating several techniques for reusing treated wastewater that would simultaneously reduce discharges into, and withdrawals from, aquatic environments. All these measures help to limit pressure on water resources, the essential matrix of aquatic biodiversity.

Drinking water production

In many countries, regulations impose the creation of protective perimeters around well fields used for drinking water production. Activities within these protective perimeters liable to pollute the aquatic environment are prohibited or regulated. This not only contributes to the quality of the drinking water produced, it also helps preserve the natural environment. The municipality and operating company may, if they

wish, go beyond these regulations, maintaining and further protecting these areas and turning them into “biodiversity areas.”

Not only our activities, but also our facilities can affect the environment, due to the land they occupy or their position in the natural environment. One way to limit the impact of our facilities is to bury them, another consists in screening them with vegetation.

2. Biodiversity Geographic Information System

Veolia Environnement operates facilities in 64 countries, in a very broad variety of eco-regions. Some regions are known for the diversity and fragility of their ecosystems and have been officially recognized as protected areas. The NGO Conservation International, for instance, has assembled 34 of the “richest and most threatened reservoirs of animal and plant life in the world.” In order to precisely identify the position of its main facilities in relation to these hotspots, Veolia Environnement has developed its own geographic information system (GIS) and pledged to protect biodiversity at all of its sites.

The system geographically locates more than 1,000 facilities. We know now that 14% of them are located in a hotspot.



BEST PRACTICE

The Crépieux-Charmy well field (France)

Veolia Water has operated this drinking water production site since 1987. This is the largest well field[©] in France, covering 375 hectares. But it is also unique by virtue of its biodiversity, being home to nearly 500 plant species and a complete array of fauna (mammals, birds, fish, insects, etc.). Its importance has been recognized via its inscription in several scientific inventories, including ZNIEFF and Natura 2000.

Working closely with the Lyons Urban Community and local environmental groups, a dedicated five-person team is responsible for monitoring the ecological situation (habitats, fauna and flora). The team maintains and restores the site, as well as carrying out an extensive array of actions as part of a five-year plan:

→ Inventories of fauna and flora

→ Developing and maintaining habitats for the fauna (creating and remodeling ponds for amphibians, opening corridors for birds) and for the flora (meadows are scythed in the fall, well surroundings are maintained)

→ Restoring and maintaining outstanding environments (alluvial forests, dry grassland, and wetlands).

The Biodiversity Geographic Information System

North America

Number of priority facilities: **173**
(of which 23 in a hotspot, i.e., 13%)

Number of hotspots concerned: **3 out of 5**

Europe

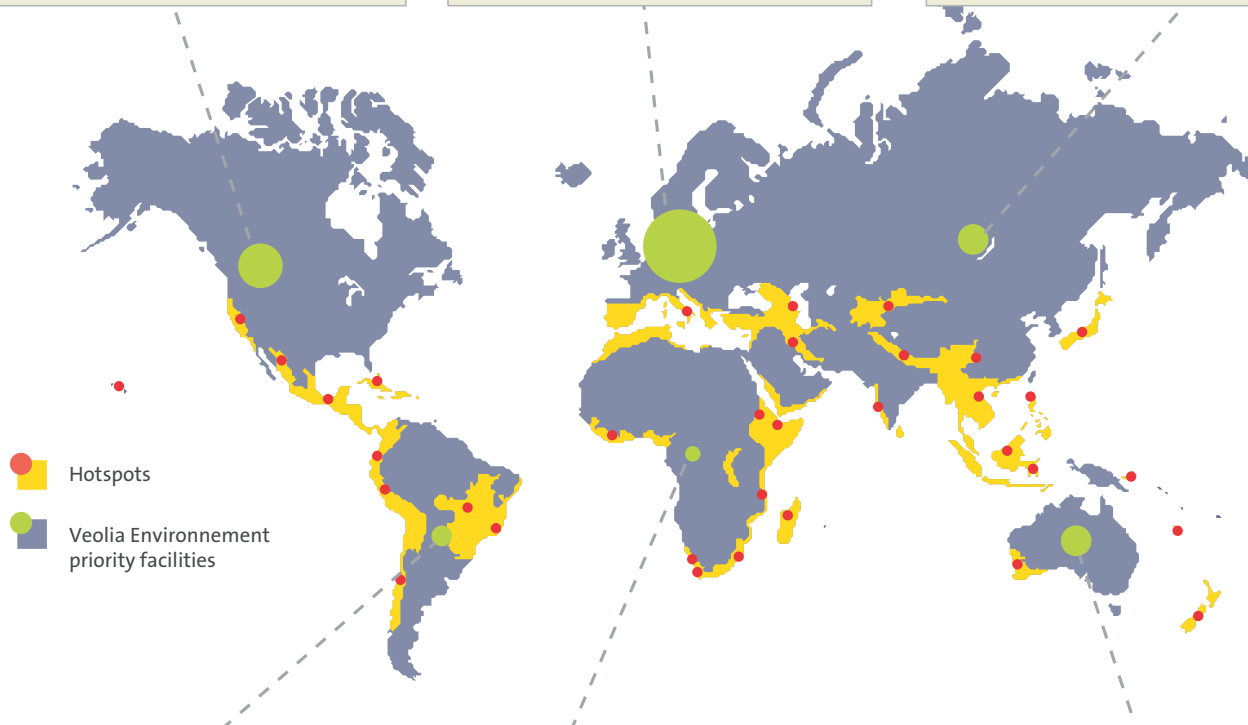
Number of priority facilities: **901**
(of which 108 in a hotspot, i.e., 12%)

Number of hotspots concerned: **1 out of 3**

Asia

Number of priority facilities: **41**
(of which 15 in a hotspot, i.e., 37%)

Number of hotspots concerned: **3 out of 14**



South America

Number of priority facilities: **20**
(of which 10 in a hotspot, i.e., 50%)

Number of hotspots concerned: **4 out of 5**

Africa

Number of priority facilities: **11**
(of which 7 in a hotspot, i.e., 64%)

Number of hotspots concerned: **2 out of 9**

Oceania

Number of priority facilities: **40**
(of which 6 in a hotspot, i.e., 15%)

Number of hotspots concerned: **4 out of 5**

Worldwide

Number of priority facilities: **1,186** (of which 169 in a hotspot, i.e., 14.2%)

Number of hotspots concerned: **15 out of 34**

To formalize its approach to biodiversity management, Veolia Environnement plans to:

- Identify best practices within the company and promote it via the Geographic Information System
- Formulate standards and recommendations for site managers.

This biodiversity management approach will become an integral part of the Environmental Management System[®] and an indicator will be designed to track the implementation of biodiversity action plans.

3. The importance of biodiversity for our activities

Biological diversity plays a key role in the capacity of ecosystems to provide three broad types of service essential to life on Earth, namely:

- Provisions (food, fiber, and fuels)
- Regulation (purification, disintoxication, attenuating the effects of drought and floods)
- Enrichment (spiritual, esthetic and social).

It is imperative to preserve this capacity of ecosystems to produce natural resources, provide water, purify water or regulate air quality, because this facilitates our work (e.g., biological treatment of wastewater, and the use of lagooning ponds for their self-purifying properties). This capacity can allow us to introduce simpler, less costly treatment methods in terms of water and energy consumption.

Climate change



Rising greenhouse gas emissions from human activity are responsible for the climate change observed over the past several years. The gases concerned are very diverse (CO₂, N₂O, CH₄, PFC, HFC and SF₆), and their heating power differs widely. At present, they are emitted in high concentrations by industrial sites, and more diffusely by road transportation vehicles, for example. This concerns Veolia Environnement as an emitter of greenhouse gases, and in its operation of greenhouse gas emitting activities for its clients.

1. Veolia Environnement's direct emissions

Veolia Energy (Dalkia)

Impact

By converting primary fossil energy (from gas, coal or oil) into thermal energy, Veolia Energy (Dalkia) emits 58% of the company's total greenhouse gas emissions.

Levers at our disposal

Veolia Energy (Dalkia) is committed to giving priority to renewable or byproduct energies[©] by optimizing its energy mix, in keeping with the commitments of the countries in which it operates. These renewable, low CO₂-emitting energies represent nearly 2.2% of primary

energies[©] utilized by Veolia Energy (Dalkia). As a result, the use of these fuels has avoided the emission of 931,000 metric tons of CO₂. The energy efficiency of thermal production and distribution facilities is improving continuously, and this is helping to reduce their emissions still further. The third lever at our disposal for reducing greenhouse gas emissions is to optimize energy consumption in users' premises. By equipping offices, hospitals, industrial facilities and housing with technologies and equipment designed to adapt supply to actual needs, Veolia Energy (Dalkia) is helping customers to consume less energy with no loss of comfort.

Veolia Environmental Services

Impact

In its collection, incineration and landfilling of waste, Veolia Environmental Services produces 36% of the company's greenhouse gas emissions.

Levers at our disposal

Promoting the use of clean vehicles or alternative modes of transportation (e.g., rail v. road), both for the collection of waste (in vehicles) and its treatment (transfer and compacting of municipal waste); is helping to limit CO₂ emissions. In landfills, the installation of systems for capturing and flaring biogas[®], which mainly consists of methane, is making a strong contribution to the reduction of methane emissions. Because methane absorbs 21 times more heat than CO₂, reducing its emissions is a strategic objective for the company, and Veolia Environnement is committed to equipping all landfills where it controls the capital investment. At the end of 2005, 70% of landfills were so equipped.

Veolia Transport

Impact

Through its provision of public transportation, Veolia Transport emits 4.7% of the company's greenhouse gas emissions.

Levers at our disposal

Veolia Transport uses clean fuels wherever possible for its vehicle fleets. It helps to influence transit authorities, providing technological and logistical expertise. The Department of La Sarthe in France, and the City of Raleigh in the United States, for example, have both benefited from Veolia Environnement's expertise. Central to Veolia Transport's training process is a class in environmentally-friendly driving techniques. It is currently thought that "good quality, professional" driving can cut fuel consumption by up to 15%. In addition, the transportation division is providing technical expertise for the implementation of a program to equip Veolia Environnement's private vehicle fleet (30,000 vehicles) with light, more environmentally-friendly vehicles.

As a member of the Entreprises pour l'Environnement (Business in the Environment) group, Veolia Transport has actively contributed to the formulation of a "Transportation Module for the quantification of greenhouse gas emissions." This helps organizations calculate the greenhouse gas emissions generated by their goods and passenger transportation activities. The module was tested by several businesses, including TCAR, the Rouen mass transit system, on a voluntary basis before its publication.

Veolia Water

Impact

Climate change will impact Veolia Water in the long run, notably through the rapid and substantial change in water resources under the combined effects of climate change, changing farming patterns, and world population growth. Veolia Water is currently not a large-scale emitter of CO₂, contributing 0.6% of the company's total greenhouse gas emissions. Wastewater treatment and the generation of sludge in treatment plants emit small quantities of two of the main greenhouse gases, CH₄ and N₂O.

Levers at our disposal

A key priority is to gain a better understanding of the sources of greenhouse gas emissions in its treatment plants, in order to adapt its systems for capturing and mitigating these emissions.

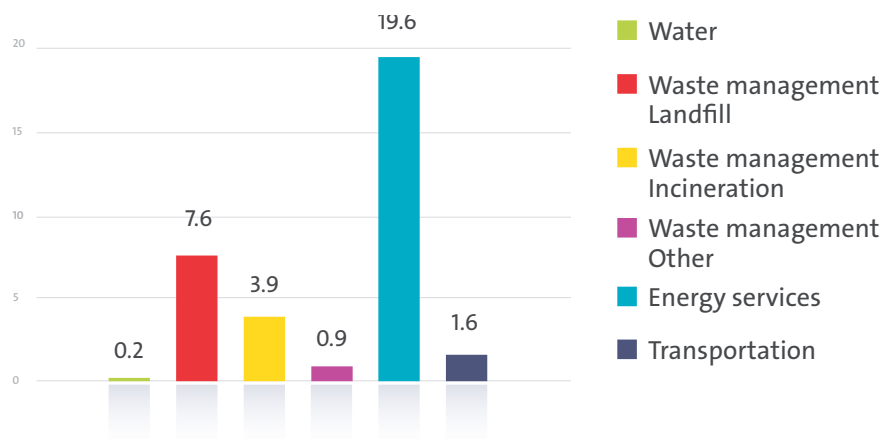
Veolia Water is promoting the use of clean vehicles. In the Paris region, three techniques were deployed in 2005 with the help of Veolia Transport, namely diester biofuel, particulate filters, and electric vehicles using new battery and engine technologies. These will be assessed starting in spring 2006. Veolia Water cut its own CO₂ emissions by 14% thanks to these programs in 2005.

2. Veolia Environnement's indirect emissions

The company consumed 6.27 million MWh of electricity in 2005, mainly in its water production and wastewater treatment plants and in the electric powered trains it operates.

The electricity comes from a variety of primary sources, i.e., nuclear, fossil, hydroelectric and renewables. This electricity consumption may indirectly

Direct greenhouse gas emissions by division in 2005 (in millions of metric tons CO₂ equivalent)



Total Veolia Environnement greenhouse gas emissions: 33.7 M metric tons CO₂ equivalent

give rise to greenhouse gas emissions. In its drive to progress on this front, Veolia Environnement is committed to reducing its electricity consumption, improving its plants' energy performance, and buying green electricity.

In France, for example, Veolia Water buys 78 GWh of "green-certified" electricity, which guarantees that at least 15% is generated from renewables.

Carbon balance

For fuller insight into the impact of its activities on the environment, and on greenhouse gas emissions especially, Veolia Environnement has calculated a carbon balance that incorporates indirect as well as direct emissions. The resulting snapshot shows that emissions from fuel production and distribution, and those resulting from the company's electricity consumption, represent between 15% and 20% of the indirect emissions by facilities for which Veolia Environnement has responsibility. The remainder are due to travel to and from work, materials purchases (chemicals notably), and fixed assets (e.g., our vehicle fleet).

3. Avoided emissions

Veolia Energy (Dalkia)

By simultaneously producing thermal and electric power, cogeneration[©] helps to avoid greenhouse gas emissions that would have resulted from the production of an equivalent amount of electricity.

With total efficiencies in excess of 70%, cogeneration is limiting emissions in more than 778 facilities, producing 20.525 million MWh of heat and 12,831 million MWh of electricity, for an installed capacity of 4,025 MW. Similarly, Veolia Energy (Dalkia) is promoting the connection of incineration plants to its networks in order to recover the byproduct heat produced in these incinerators.

Veolia Environmental Services

Veolia Environmental Services is similarly concerned to optimize its performance. It, too, recovers the heat produced in its incinerators in order to power heating systems and produce electricity. It is thereby helping to avoid greenhouse gas emissions resulting from the burning of fossil energies to produce thermal power. The biogas captured in its landfills, meanwhile, can be converted into electricity and steam. In 2005, Veolia Environmental Services sold 2.6 million MWh of heat and 3.6 million MWh of electricity, thereby avoiding the emission of 2.3 million metric tons of CO₂.

It is also avoiding greenhouse gas emissions by recycling 6.8 million metric tons of materials, since it takes less energy to produce new materials and products from recycled materials.

Veolia Transport

Boosting the appeal of public transportation is central to Veolia Transport's strategy. By proposing genuine alternatives to individual transportation, Veolia Transport is helping to cut greenhouse gas emissions in urban areas.

Veolia Water

Veolia Water employs a variety of energy recovery and renewable energy processes. For example, it produces energy from wastewater treatment sludge, as well as from small-scale hydroelectric turbines powered by the water flow in drinking water plants.

4. The Kyoto Protocol sets the scene for Veolia Environnement initiatives

Veolia Environnement had acquired considerable expertise in the field of greenhouse gas emissions even before the introduction of the European greenhouse gas emissions trading system (EU-ETS)[©] in January 2005 and the entry into force of the Kyoto Protocol on February 16, 2005.

Veolia Environnement's clients and partners are now benefiting from this expertise, either through the 240 sites subject to EU-ETS quota trading operated by the company, or through international projects involving the transfer of technology and experience gained by Veolia Environnement from its work in Brazil, Egypt and Lithuania, for example.

Veolia Environnement is also contributing actively to work on a system of "domestic projects" designed to encourage the reduction of greenhouse gas emissions in France and elsewhere in Europe. In addition, it is looking at additional mechanisms for development with countries that have not signed up to the Kyoto Protocol.



BEST PRACTICE

Veolia Water in the Czech Republic: energy from sludge

The Veolia Water (Czech Republic) wastewater treatment plant in Prague is equipped with an anaerobic sludge digestion system. This system not only reduces the volume of sludge considerably, it also produces methane-rich biogas. This biogas then serves to produce heat and electricity by cogeneration. The digested sludge is used as compost[©] on farms. And the resulting renewable energy (20,827 MWh a year) provides 75% of the treatment plant's energy needs. Veolia Water is using this type of process on around 10 wastewater treatment plants in the Czech Republic.

Recognition of our performance in 2005

Non-financial rating is based on an assessment of how our sustainable development performance changes through time. The assessment is frequently accompanied by a comparison of our performance with that of a peer group made up of companies performing the same or similar business activities. Veolia Environnement is placed in the water utilities category (for water and wastewater service© operators).

However, Veolia Environnement has special characteristics requiring a clear explanation of its business model:

→ A footprint that is geographically much broader and less homogeneous from a socio-economic angle

→ Four business activities: water, energy services, waste management and transportation

→ Less control over the facilities it operates due to the outsourced service management model.

Analysis by non-financial ratings agencies requires us to provide a clear view of every aspect of our business. The aim of this Sustainable Development Report is to present the way in which we assess all the risks in our business, the policies adopted

and their dissemination, and the control and handling of problems encountered.

Ratings agencies also encourage us to deal with some complex issues. For example, our view of our own impacts (see pages 56-57) aims to better explain our business activities, which in fact consist of managing our clients' environmental impacts (withdrawal from water resources, wastewater treatment, CO₂ emissions, waste management). The report sections headed "Spotlight" are designed to explain our position with regard to major issues in the world today.

1. Selection by ethical stock market indexes



Veolia Environnement has been listed in the FTSE4Good index since September 2004. Its selection was maintained in 2005 despite the progressively tougher criteria for inclusion.



Veolia Environnement was not selected for inclusion in the DJSI in 2005 for several reasons. Firstly, the way the index works (weighting by sector) led to a reduction in the number of companies in the Water Utilities category. In addition, our performance was not steady enough to secure inclusion.

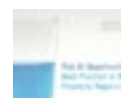


Veolia Environnement retained its environmental rating of AAA and its social rating of AA.



Veolia Environnement has been included in the ASPI index since 2004.

2. Quality of communications on social and environmental responsibility



The Global Reporters 2004 survey, published by SustainAbility and the

United Nations Environment Program (UNEP), ranked Veolia Environnement first in France and 16th worldwide for its sustainable development report. The French version of this study, published in 2005 by Utopies, SustainAbility and UNEP, ranked Veolia Environnement second in France.

The French center for information on companies, CFIE, ranked Veolia Environnement ahead of all other CAC 40 companies in 2005 for the quality of its response to the requirements of the country's new economic regulations law.

Our position in the market

	Veolia Environnement	Average of the six best-ranked companies with which Veolia Environnement is regularly compared*
Revenue	€25.2 billion	About 13 times less
Water business contribution to revenue	35%	About 56%
Number of countries with operations	64	About 12 times less
Headcount	271153	About 32 times less

This table highlights the size, complexity and diversity of Veolia Environnement's operations.

* Six companies included in the DJSI or FTSE4Good indexes in 2005 in the Water Utilities category
Source: Utopies

Environmental performance data	Unit	2003	2004	2005	2005				GRI see P.2
		Veolia Environnement			Veolia Water	Veolia Energy (Dalkia)	Veolia Environmental Services	Veolia Transport	
Management									
Relevant revenue covered by an EMS (including ISO 14001 certified facilities) ***	%	31%	53%	66%	77%	85%	57%	32%	
Relevant revenue covered by a certified management system (ISO 9001 or 14001) *** #	%	63%	67%	65%	70%	89%	67%	29%	
Number of sites covered by an ISO 14001 certificate °	Number	384	529	705	259	69	349	28	
Drivers (Veolia Transport) who have received training in environmental performance	%	55%	59%	70%	-	-	-	70%	
Priority facilities audited (since Jan. 1, 2002) *	%	36%	57%	80%	85%	92%	75%	32%	
Revenue from relevant activities **	Billions of €	17.4	17.7	17.4	5.6	4.9	3.0	4.0	
Air									
Direct CO ₂ emissions *	Million metric tons CO ₂	23.0	23.9	26.1	0.2	19.6	4.8	1.6	EN17
Net CH ₄ emissions	Thousand metric tons CH ₄	335.4	366.0	362.4	-	-	362.4	-	EN17
Total greenhouse gas emissions * °	Million metric tons CO ₂ eq.	30.0	31.5	33.7	0.2	19.6	12.4	1.6	EN17, EN18
CO ₂ emissions avoided *	Million metric tons CO ₂	-7.1	-8.0	-8.3	-	-6.1	-2.3	-	
Net CO ₂ emissions/MWh of heat produced (world) ***	Met. tons CO ₂ /MWh prod.	0.339	0.297	0.337	-	0.337	-	-	
Landfills equipped with biogas recovery and treatment systems (in operation and for which Veolia ES has control over capital investments) * °	%	60%	64%	70%	-	-	70%	-	
SO _x emissions from waste incineration plants (hazardous and non-hazardous) per metric ton of waste incinerated °	g/metric ton incinerated	155	151	147	-	-	147	-	EN19
NO _x emissions from waste incineration plants (hazardous and non-hazardous) per metric ton of waste incinerated	g/metric ton incinerated	1,275	1,233	1,172	-	-	1,172	-	EN19
Particulate matter emissions from waste incineration plants (hazardous and non-hazardous) per metric ton of waste incinerated	g/metric ton incinerated	40	34	27	-	-	27	-	
HCl emissions from waste incineration plants (hazardous and non-hazardous) per metric ton of waste incinerated	g/metric ton incinerated	126	129	80	-	-	80	-	
Vehicle unit CO emission improvement index *	base index 100 (2001)	86	88	77	-	-	-	77	
Vehicle unit HC emission improvement index *	base index 100 (2001)	89	91	75	-	-	-	75	
Vehicle unit particle emission improvement index *	base index 100 (2001)	85	87	76	-	-	-	76	
Completion of <i>Legionella</i> risk prevention plan ~	%	-	44%	80%	-	80%	-	-	
Waste treated in non-hazardous waste incinerators with dioxin emissions lower than 0.1 ng/NM ³ in plants where Veolia ES has control over capital investments * °	%	62%	68%	77%	-	-	77%	-	
Water									
Water distribution network efficiency (world) *	%	76.6%	77.3%	77.0%	77.0%	-	-	-	
Water distribution network efficiency (EU 15) *	%	80.2%	81.2%	80.7%	80.7%	-	-	-	
Industrial water consumption °	Million m ³	231.8	246.3	210.3	190.4	2.8	16.2	0.9	
Wastewater treatment efficiency (biological treatment plants with a treatment capacity of over 3 metric tons of BOD5 per day (50,000 PE) * °	%	92.3%	93.0%	91.0%	91.0%	-	-	-	EN21
Wastewater collection systems covered by an industrial discharge program proposal (total since Jan. 1, 2002) *	Number		44	96	96	-	-	-	
Customers equipped with water metering device	%	91%	91%	93%	93%	-	-	-	
Landfills collecting and treating leachates (internal or external) (in operation and for which Veolia ES has control over capital investments) *	%	87%	95%	96%	-	-	96%	-	
Drinking water quality – bacteriological compliance rate	%		99.3%	99.3%	99.3%	-	-	-	
Drinking water quality – overall compliance rate	%		98.9%	98.7%	98.7%	-	-	-	
Energy									
Total energy production (electricity and heat)	Million MWh	65	70	71	-	65	6	-	
Incineration plants equipped with energy conversion systems	%	91%	91%	91%	-	-	91%	-	
Total energy consumption (electricity and heat) °	Million MWh	94	97	101	5	87	2	8	EN4
Renewable energy consumption	Million MWh	1.7	3.3	1.9	-	1.9	-	-	
Renewable energy consumption	%	2%	4%	2%	-	2%	-	-	
Waste									
Quantity of sludge evacuated	Thousand metric tons dry matter	804	777	806	806	-	-	-	EN20
Treated waste recycled	%	11%	12%	12%	-	-	12%	-	
Quantity of treated waste recycled	Million metric tons	6	7	7	-	-	6.8	-	
Quantity of compost produced °	Thousand metric tons	839	757	764	18	-	747	-	
Soil									
Sludge produced recycled for agriculture °	%	43%	46%	40%	40%	-	-	-	
Quantity of soil remediated	Thousand metric tons	248.0	277.3	310.6	-	-	310.6	-	
Landfill surface restored	ha	286	210	190	-	-	190	-	

(*) Indicator externally verified

(**) 2005 data restated at corporate level to bring into line with revenue under IFRS; the impact of restatement is a 10% reduction of relevant revenue

(#) Includes Veolia Transport's NFS service certificates in France

(°) Indicators complying with France's NRE requirements

(-) Indicators not available, not significant or not applicable

(~) Methodology and 2004 value revised following international extension of the indicator's field of application

(***) 2005 value pro forma 2004: 0.287 metric tonnes CO₂/MWh (see page 54)

Social performance data		Unit	2004 *	2005 **	2005					GRI see P.2
			Veolia Environnement	Veolia Water	Veolia Energy (Dalkia)	Veolia Environmental Services	Veolia Transport	Veolia France		
Headcount										
Total headcount at Dec. 31, 2005			251,584	271,153	70,765	46,916	80,754	72,302	107,275	LA1
Number of employees with unlimited-term contracts			234,122	251,842	66,764	44,328	73,348	67,011	101,314	LA1
Number of employees with fixed-term contracts			17,462	19,311	4,001	2,588	7,406	5,291	5,961	LA1
Number of fixed-term contracts converted into unlimited-term contracts			5,245	4,979	1,234	645	1,679	1,416	2,275	LA2
Number of male employees			204,413	218,570	55,308	39,303	65,041	58,728	85,415	LA2
Number of female employees			47,171	52,583	15,457	7,613	15,713	13,574	21,860	LA2
Number of managerial grade employees			21,005	21,995	9,006	5,152	5,085	2,435	11,539	LA2
Number of non-managerial grade employees			230,579	249,158	61,759	41,764	75,669	69,867	95,736	LA2
Total weighted annual average number of employees (full-time equivalent)			233,032	252,643	68,209	45,319	73,560	65,170	101,587	LA1
Weighted annual average number of employees with unlimited-term contracts			219,235	237,630	64,339	43,322	68,100	61,493	96,422	LA1
Weighted annual average number of employees with fixed-term contracts			13,796	15,012	3,870	1,997	5,460	3,677	5,165	LA1
Number of employees with work-study contracts			2,802	3,593	1,529	1,054	543	458	2,269	
of which employees with apprenticeship contracts			2,047	2,517	1,245	629	398	240	1,687	
Number of employees with disabilities			3,834	3,881	1,026	741	1,208	906	2,573	
New hires										
Total number of new hires			58,816	63,270	8,891	9,381	30,887	14,032	26,067	LA2
of which with fixed-term contracts			24,668	27,197	3,665	2,943	15,557	5,005	15,919	LA2
of which with unlimited-term contracts			34,148	36,073	5,226	6,438	15,330	9,027	10,148	LA2
Departures										
Total number of departures			57,434	57,528	8,024	8,092	28,680	12,676	24,583	LA2
of which number of individual dismissals			6,871	7,061	1,228	1,539	2,915	1,373	2,747	LA2
of which under redundancy programs			689	672	127	439	75	31	58	
Job mobility										
Total number of transfers			10,254	11,873	2,480	2,919	5,140	1,295	6,665	
of which managerial grade employees			1,918	2,045	714	451	635	216	1,248	
Overtime										
Total number of overtime hours	Hours		16,645,883	18,684,632	3,796,380	1,916,806	6,987,522	5,983,924	2,686,813	
Average number of overtime hours per employee per year	Hours		66	69	54	41	87	83	25	
Temporary employees										
Number of temporary employees (full-time equivalent)			11,165	10,566	3,098	2,093	4,720	650	7,236	LA1
Payment to temporary staffing agencies	€		318,658,927	354,687,770	99,726,136	72,747,408	159,525,890	22,478,637	284,056,090	
Organization, work time, absenteeism										
Weekly work time	Hours		38,2	38,3	38,2	37,9	39,2	37,9	35,3	
Number of part-time employees (full-time equivalent)			13,407	15,767	2,286	881	5,587	6,990	6,643	
Total number of work days lost through absence	Days		2,922,695	3,101,546	772,789	460,364	927,885	937,807	1,646,306	
of which total number of work days lost through sick leave	Days		2,006,669	2,150,939	565,144	358,078	538,247	687,956	1,073,665	
Compensation, social security contributions, profit-sharing and employee stock purchase plans										
Average gross annual compensation	€		24,273	24,745	26,752	23,174	22,344	26,051	26,991	
Average gross annual compensation (men)	€		24,825	25,318	27,520	24,224	22,706	26,550	27,578	
Average gross annual compensation (women)	€		21,640	22,117	23,841	17,532	20,498	23,760	24,381	
Gap between average compensation (men and women)	%		15	14,47	15,43	38,17	10,77	11,74	13,11	
Ratio of average compensation to average minimum compensation in 19 countries that have a legal minimum wage			2,2	2,3	-	-	-	-	2,0	
Ratio of social security contributions to total payroll costs			31,1	31,4	34,9	33,7	29,0	28,2	44,4	
Total amounts paid in respect of bonus payments (France)	€		49,090,851	54,627,721	34,198,804	6,338,740	8,491,280	4,760,240	52,212,551	
Total amount paid in respect of employee stock purchase plans (France)	€		50,929,575	48,304,180	23,154,471	10,035,164	10,389,825	4,724,720	47,773,241	
Labor relations and collective bargaining agreements summary										
Number of collective bargaining agreements signed			1,360	1,341	328	277	385	350	599	
of which related to compensation			863	730	128	154	225	222	347	
of which related to health, safety or working conditions			229	175	42	64	33	36	77	
of which related to employer-employee dialogue			114	101	31	21	19	30	53	
of which related to other subjects or several of the above			154	335	127	38	108	62	122	
Total number of employee representatives			13,457	14,296	3,759	2,756	4,238	3,498	9,831	LA4
Occupational health and safety										
Number of work accidents with sick leave			11,336	11,190	2,096	1,429	5,327	2,337	5,990	LA7
Total number of days lost through work accidents	Days		320,757	316,526	60,209	39,131	139,909	77,265	224,597	LA7
Accident frequency rate			28,6	26,1	18,1	18,5	42,6	21,1	34,7	LA7
Accident severity rate			0,81	0,74	0,52	0,51	1,12	0,70	1,30	LA7
Number of employees trained in safety procedures			85,937	108,169	28,947	20,240	33,422	25,519	42,692	
Number of organizations dedicated to the study of health and safety problems			2,242	2,736	454	437	1,363	480	737	LA6
Training										
Total training expenditure as a percentage of total payroll costs	%		2,01	2,24	2,43	2,51	1,69	2,42	2,88	
Number of employees who benefited from training activities			194,163	270,783	87,230	59,027	66,846	57,340	90,753	LA8
Managerial grade			22,255	28,144	11,701	7,858	6,117	2,194	10,861	
Non-managerial grade			171,908	242,639	75,529	51,169	60,730	55,146	79,892	
Men			160,730	221,813	68,403	49,650	57,987	45,648	77,853	
Women			33,433	48,970	18,828	9,373	8,863	11,692	12,900	
Expenditure per employee trained	€		586	517,9	508,8	446,3	415,6	715,9	869,4	
Total number of training hours	Hours		3,499,162	4,210,174	1,270,979	832,730	798,260	1,301,825	1,331,465	LA11
Average duration of training activities	Hours		18,0	15,5	14,6	14,1	11,9	22,7	14,7	
Community involvement activities										
Subsidies for community involvement activities	€		51,079,111	53,545,855	25,860,644	12,346,186	6,970,330	8,105,277	38,778,677	

(*) 2004 Veolia Environnement data includes that for Veolia Environnement SA head office (not described in detail here)

(**) 2005 Veolia Environnement data includes that for Veolia Environnement SA and Campus Veolia Environnement (not described in detail here)

Information about methodology used in environmental and social data reporting

In the absence of a recognized and relevant reporting baseline for its activities, Veolia Environnement has defined its own reporting procedures based on best practices and drafts of international standards.

Methodological procedures

Company procedures:

→ For environmental indicators: a company-wide measurement and reporting protocol, available on the www.sustainable.veoliaenvironnement.com/en/ Web site, supplemented by specific instructions for individual divisions

→ For social indicators: a methodology for compiling, monitoring, analyzing and consolidating the data.

Consolidation methods and scope

The scope of environmental reporting covers all activities worldwide over which the company has operating control. Jointly controlled (50-50) water companies in France, and the design and operation of industrial water systems activities are excluded from the scope of reporting. Some subcontracted activities may be included in the scope of reporting, in particular with regard to waste management (biogas conversion, for example) or transportation. The scope of social reporting covers all consolidated companies where Veolia Environnement manages the personnel and those of the jointly controlled (50-50) water companies where Veolia Environnement is responsible for personnel management.

Consolidation method

Within these scopes, environmental and social data is fully consolidated.

Changes in consolidation scope

Changes in consolidation scope 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 2005, the main changes in scope or activity were:

→ Veolia Water: full year of operation of contracts in Australia, China, Czech Republic, Germany, Hungary and Thailand, and new contracts in the Czech Republic and Ireland

→ Veolia Energy (Dalkia): integration of new business units in Chile, Mexico, Poland and the United States

→ Veolia Transport: acquisition of various bus and coach line management contracts in Europe (Belgium, Czech Republic, Netherlands, Poland and Switzerland), a contract to operate 14 ferries in Norway and the significant acquisition of ATC in the United States

→ Veolia Environmental Services: new contracts in Asia, France, Switzerland, United Arab Emirates and the United Kingdom, and the sale of activities in Portugal and two waste collection and sorting facilities in Sweden.

Choice of indicators

The indicators have been chosen in order to track:

→ Company-wide commitments and policy (EMS, environmental audits, etc.)

→ Performance related to the company's main challenges and impacts

→ Effects of the company's labor practices

→ Regulatory obligations (e.g., the NRE law in France).

Consolidation and controls

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. In 2005, to meet the new accounting standards, the management system coverage of relevant revenue under IFRS[©] for each business unit has been calculated by applying its rate of deployment to its IFRS revenue. This data was then consolidated at the divisional level. Human resources data is consolidated and checked by the divisions and by the Human Resources Department. Automated checks are also performed at the business unit level.

The most relevant environmental indicators have been audited for five years by Ernst & Young, the company's independent auditor (see report on opposite page).

Methodological limitations

The environmental and social indicators may be subject to methodological limitations due to:

→ lack of standardized definitions and national and international legislation
→ the unrepresentative nature of certain measurements and estimates
→ changes in definition that may affect comparisons

→ practical data collection procedures. Taking these elements into account, we consider that most of our data is accurate to within approximately 5% to 10%.

For the year under review, the main limitations and uncertainties concern:

→ methane emissions, which are estimated on the basis of national or international models presenting high levels of uncertainty

→ proposed programs for controlling industrial discharges.

→ Measurement and Reporting Protocol for Sustainable Development www.sustainable.veoliaenvironnement.com/en/

GRI indicators not used in this report

1. Strategy and analysis
2. Organizational profile
3. Report parameters 3.7*, 3.10*, 3.11*, 3.14*
4. Governance, duties and commitment 4.5*, 4.6*, 4.10*, 4.13*, 4.15*, 4.16*, 4.17*
Economic performance EC4*, EC7*
Environmental performance EN1*, EN2*, EN18*
Social performances LA4*, LA5*, LA6*

- Indicator insufficiently suited to the specific nature of our business
- Indicator not collected or consolidated
- Veolia Environnement does not wish to report on this indicator
- Data available in our annual report or on our Web site
- No practices to report on regarding this point

Independent opinion



Report on our review of certain environmental indicators

At the request of Veolia Environnement and in our capacity as independent auditor, we have conducted an examination designed to enable us to express moderate assurance regarding the indicators for 2005 marked * in the "2005 Environmental Performance Report," page 66.

These indicators have been prepared by the Environmental Committee under the responsibility of the general management of Veolia Environnement, in accordance with the company's Environmental Reporting Protocol, which can be consulted on its Web site¹. It is our duty to express a conclusion about these indicators on the basis of our review.

Nature and extent of the review

We have implemented the following steps to obtain moderate assurance that the indicators do not contain any significant anomalies. A higher level of assurance would have required more extensive studies.

- We have evaluated the Protocol with regard to its precision, clarity, objectivity, exhaustiveness and relevance in relation to the company's activities.
- At the level of the company and its four divisions (water, waste management, energyservices and transportation), we have interviewed those in charge of reporting to verify application of the Protocol. We have also analyzed significant variations and have verified by means of random checks the calculations and consolidation of data.
- We have selected a sample of eight business units², representative of the company's activities in five countries and accounting for an average of 17%³ of the total value of the indicators examined. We have verified the calculations and the data by comparing them with supporting documents.

Information on the Protocol

Compared with the previous fiscal year, the application of the Protocol has been reinforced in certain divisions. However:

- Internal controls need to be made systematic, particularly in the business units
- The notion of operational control should be explained, particularly for cases of joint control and for divestments or acquisitions during the year
- The criteria for taking into consideration the internal environmental management systems in business units should be explained.

Further, the company provides detailed information on the methodologies used to establish the indicators in the "methodological explanations" memorandum on the opposite page, in particular on the following items:

- The scope of reporting for jointly controlled or subcontracted activities
- Estimated methane emissions on the basis of national or international models
- Industrial discharge control program proposals
- Restatements of the relevant consolidated revenue to reflect the move to new accounting standards (exclusion of third-party accounts).

Conclusion

On the basis of our review, we have not observed any significant anomaly liable to detract from the view that the indicators have been established in accordance with the Protocol in all significant respects.

Paris-La-Défense, le 24 avril 2006

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¹ www.sustainable.veoliaenvironnement.com/en/

² In France, the West region for the water division, the Atlantic region for the energy services division, the Southwest region for the waste management division, and the Aquitaine-Midi Pyrénées region for the transportation division; at the international level, Veolia Water North America in the United States, Veolia Environmental Services in the United Kingdom, SIRAM for the energy services division in Italy and Veolia Transport in Germany

³ 14% of relevant activities, 21% of priority facilities, 12% of greenhouse gas emissions, 12% of landfills, 34% of facilities concerned by the Legionella risk control program (Dalkia France), 45% of waste treated in incinerators, 7% of water volumes treated worldwide, and 7% of the kilometers traveled by public transportation vehicles

To contact us

Your opinion can help us do better.
Please send us your comments:

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Glossary[®]

Biodiversity The full variety and variability of living organisms and the ecological sets to which they belong. It includes three components: ecosystem diversity or ecological diversity; animal and plant diversity or specific diversity; diversity within a single species or genetic diversity.

Biogas Gas resulting from the process of biological decomposition of organic matter starved of oxygen. It contains a high percentage of methane and high calorific and energy potential. It must therefore be recovered to avoid pollution (odors and greenhouse gases). Once recovered, it can also be converted into energy.

Biomass All plants and animals, as well as the organic waste associated with them.

Business unit (EMS definition) Organizational and geographical entity forming a level of management and consolidation within a division.

Byproduct energy Energy unavoidably produced from a natural or industrial source or calorific energy that is lost when not recovered: biogas, flare gas, etc

Clean Development Mechanism (CDM) The Clean Development Mechanism encourages the realization of environmental projects in developing countries. The entity that finances the project earns emission credits.

Cogeneration (or combined heat and power) Process consisting of producing heat and electrical power at the same time from a single energy input. Electricity, which can be used for internal purposes or sold, is produced by a turbine or an engine. The waste heat from the exhaust fumes is recovered and reinjected into a heating circuit.

Composting Composting is one of the techniques used to recycle organic waste. This biological process treats organic waste (green waste, the fermentable portion of household waste, sludge from municipal wastewater treatment plants, etc.) by exposing it to air, which speeds up the decomposition process. This technique is used to produce compost, which can be used in agriculture.

District heating and cooling network A network made up of a central production unit and a network of pipes. It makes it possible to supply public and private institutions (schools, hospitals, offices and housing units) with heat, hot water and air conditioning.

Ecosystem A dynamic set of living organisms made up of plants, animals and microorganisms, all interacting among themselves and with their environment.

Environmental Management System (EMS) System allowing an organization to implement its environmental policy and reach the targets set for controlling the main environmental impacts of its activities and complying with regulatory requirements.

EU Emissions Trading Scheme (EU-ETS) European Union scheme that allows companies exceeding individual CO₂ emission targets to buy emissions credits from "greener" ones.

European New Car Assessment Program (Euro NCAP) Founded in 1997, Euro NCAP is an international association under Belgian law. It provides consumers with an independent assessment of the safety performance of the majority of the most popular cars in Europe. Through its stringent crash tests, Euro NCAP has rapidly become a catalyst for significant safety improvements in new cars.

Eutrophication The enrichment of rivers and lakes in nutrients, principally phosphorus and nitrogen, which form a fertilizer for aquatic plants. It is seen in the excessive proliferation of vegetable life which, through nocturnal respiration and decomposition on death, causes a significant reduction in oxygen content. This causes, inter alia, reduced animal and vegetable diversity and disruption in the usage of water (drinking water supply and leisure activities).

Global Reporting Initiative (GRI) A private, multistakeholder US initiative set up by a Boston-based NGO, CERES, and the UNEP. It offers sustainability

reporting guidelines that take into account environmental, social and economic performance.

Greenhouse gas (CO₂, CH₄, NO_x, etc.) Gas which, by absorbing part of the sun's rays, is responsible for climate warming. The use of renewable energies and biogas and the development of cogeneration are avenues for improvement that make it possible to reduce the greenhouse effect.

Greenhouse gas emission quotas The quotas correspond to the authorization to emit 1 metric ton of CO₂ equivalent during a specific period. Such quotas are attributed, in particular, to operators of energy plants as part of implementing the European directives designed to achieve the objectives set by the Kyoto Protocol.

Heat insulation Application of a product to prevent or reduce the transmission of heat.

Hotspot The NGO Conservation International has identified 34 biodiversity hotspots, which are the richest and most threatened reservoirs of plant and animal life on Earth.

International Financial Reporting Standards (IFRS) Listed companies in the European Union have adopted these new accounting standards, which draw on the former international accounting standards (IAS) and US Gaap accounting standards.

Joint Implementation (JI) Joint Implementation is similar to the Clean Development Mechanism (CDM) but the project must be carried out in an industrialized or former Eastern bloc country.

Kyoto mechanisms Flexibility mechanisms planned in addition to domestic measures under the Kyoto Protocol to guide signatories in reducing their greenhouse gas emissions. The mechanisms consist of the Emissions Trading Scheme (ETS), the Clean Development Mechanism (CDM) and Joint Implementation (JI).

Landfill Current landfill technologies allow waste to be buried and treated under optimum conditions of environmental safety. Many landfills are now fitted with biogas recovery systems.

Leachate When stored in landfills and exposed to rain and natural fermentation, waste produces a liquid called leachate. Rich in organic material and trace elements, leachates cannot be put back directly into the natural environment, but must be carefully collected and treated.

Low-cost connection The definition varies from country to country. In the widest sense of the expression, it describes the connection of low-income homes, carried out at lower cost and offered for a lower price and/or with easy payment terms. In some countries, such as Gabon, this type of connection is proposed to people who commit to keeping their water and electricity consumption below specified thresholds and therefore benefit from a preferential price.

LPG Liquefied Petroleum Gas

National Environment and Health Action Plan (NEHAP) The French government's PNSE program aims to address concerns about short- and medium-term health risks associated with exposure to certain pollution in the environment.

Network efficiency Ratio of the total volume of water invoiced for industrial and domestic needs plus the non-invoiced volumes of water used for service needs, to the volumes introduced into the distribution network.

Outsourcing Delegating to a single private operator a set of peripheral activities formerly carried out internally (management of water, energy, transportation, environmental protection, etc.).

Primary energies Untransformed products used directly such as crude oil, natural gas, biomass, solar energy, hydraulic energy, wind power, geothermal energy and nuclear energy.

Priority facilities (EMS definition) Facilities with the most significant environmental impacts.

→ Veolia Water: Water plants with a treatment capacity equal to or exceeding 10,000 cubic meters per day and municipal wastewater plants with a treatment capacity to serve a population equivalent of 50,000.

→ Veolia Energy (Dalkia): Thermal power facilities exceeding or equivalent to 20 MW.

→ Veolia Environmental Services: Landfills (for hazardous and non-hazardous waste), incineration plants, treatment facilities and hazardous waste recycling units.

→ Veolia Transport: Facilities (warehouses, workshops, parking areas, stations, etc.) managing or handling 120 or more vehicles, or whose fuel storage is equal to or more than 80,000 liters, or that has compression plant of 200 kW or more.

Public-private partnership Operating method for public services or services of general interest under the control of public authorities that benefit residents, who usually pay the price directly to the service operator. The operator assumes responsibility for service operation as well as investments where necessary. The public services operated by Veolia Environnement mainly involve household and non-hazardous waste collection, recycling and disposal; water and wastewater services; energy production and distribution (heating and hot water); and public transportation.

Purchasing Power Parity (PPP) A currency conversion rate that enables the comparison of purchasing power in different countries. The rate expresses the ratio between the quantity of currency units necessary in the various countries to purchase the same basket of goods and services. This conversion rate may be different from the exchange rate, which reflects the reciprocal values of currencies on international money markets rather than the currency's intrinsic value for a consumer.

Relevant activities (worldwide scope) (EMS definition)

→ Production and distribution of drinking water, collection and treatment of municipal wastewater

→ Waste treatment activities (sorting, composting, incineration, landfill, hazardous waste processing)

→ Energy services (heating and cooling systems, heating and multi-technical maintenance, industrial utilities and facilities management)

→ Transportation of passengers and goods.

Renewable energy Energy produced using natural elements (sunlight, wind, water, earth) without affecting the environment. It includes solar and wind power, hydroelectricity, geothermal energy, biomass and tidal power, the biogas from landfills, etc.

SRI Socially responsible investment, which is made on the basis of social, environmental and ethical criteria, along with financial performance.

Stakeholders Internal and external players with an interest in the company's operation: employees, customers, clients, suppliers, shareholders, nonprofit organizations, civil society, public authorities, etc.

VNG Vehicle Natural Gas

Waste recovery and recycling The three main types of waste recovery and recycling are:

→ Materials recovery or recycling, which enables waste materials to be reused.

→ Energy recovery or conversion, which allows the production of electricity or the supply of a heating network.

→ Recycling for agricultural purposes, which consists of transforming the fermentable part of organic waste into compost.

Wastewater service Wastewater and stormwater collection and treatment. Known as "sanitation" in its most basic forms.

Watershed (or catchment area) The region of land that drains into a specified body of water, such as a river, lake, sea or ocean.

Well field An area containing water withdrawal wells that take groundwater from an aquifer.